The National Underwriter
LIFE INSURANCE EDITION

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Thirty-Sixth Year No. 36 CHICAGO, CINCINNATI, NEW YORK AND SAN FRANCISCO, FRIDAY, SEPTEMBER 2, 1932 $3.00 Per Year, 15 Cents a Copy

Agents' Financing Is Nearly Ended

General Agents Forced by Depression to Become Better Business Men

EXTRAVAGANT ERA OVER

Slump in Production Looked on as Blessing in Disguise, Breaking Up Competition Impasse

General agents and managers in contemplating the disturbing effects of the depression on their business are finding consolation in the fact that the era of free and easy financing of agents is passing. From the field viewpoint, this benefit alone thoroughly compensates for any decrease in production.

The sales end of life insurance suffered indigestion pains arising from the long period of prosperity, just as did other businesses. Easy money is restless, and so, many expensive practices crept into agency operations.

Agents' Mortality Heavy

Undoubtedly the strict limitations placed on financing by most general agents this year have forced many new agents to quit. There appears to be a general feeling, however, that this was beneficial. Many jobless men and women turned to life insurance, figuring they might as well be occupied; they might get some financial aid, and perhaps they would "click" and make a lot of money. This was not a healthy viewpoint and the mortality in this class has been large.

Very few general agents are extending the privilege of a "draw" to anyone these days, and an advance must have behind it deferred commissions. Notes are being scanned most carefully. A note settlement to be acceptable now in most agencies must be one of unquestioned integrity and soundness.

These two measures have hit agents hard, there is no doubt. But they have shown general agents where lay the strength and ability in their forces.

Gave Financial Backing

It was common to lend financial aid to agents. When the whole country was making money hand over fist, note settlements very rarely were questioned. While only a few companies would accept notes in payment of premiums, general agents could not dodge this service to agents. They assisted their men in financing notes, endorsed them and even paid advance commissions on such settlements in addition to investing in the paper.

The whole country was credit mad. It was the popular conception that one need not be parsimonious and save for the future; economize and operate efficiently; that credit was inexhaustible and it would take care of everything.

It was more the rule than the exception that general agents and managers gave drawing accounts or advances. Inexperienced, untested salesmen could get living expenses for lengthy periods—quite frequently for six months or more. When money was so easy to get it was inevitable that lame ducks and racketeers should take advantage of the situation. Undoubtedly most agencies had at least one or two "weak sisters" on the pension list. Entirely too many offices were known on the street as "soft." One in particular had what constituted almost a standing offer of $100 a week drawing account, unbelievable as that is. That agency lost heavily, and now is not nearly so easy a mark.

Some Used Judgment Notes

Many agents and racketeers took advantage of it. Competitors found the scale of advances mounting rapidly as the result of efforts of certain offices to "buy" volume by such tactics.

Offices which required the signing of judgment notes for the amount of financing would appear on the face to be in more fortunate position than those which required no acknowledgment but merely trusted to an agent's renewals to square accounts. It is true that a general agent can obtain judgment on these in case of default, yet the common experience appears to be that the agent quickly can have the judgment rescinded by appearing in court and proving that the sum involved was an advance; that the general agent expected to be reimbursed from future commissions, and therefore merely gambled and lost. This appears to be the law in many sections, although whether it is general is not known.

At least, the general agent who has a collection of judgment notes and judgments has something to show for his money. He can frame the documents and hang them on his office wall as a horrible example of how not to run an agency. With this remember, he might eventually show a profit, or at least save himself from a much larger loss.

Some day, when good times return,

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Market Expert Sees No Chance for Public in Stock Speculation

While the U. S. Senate's exposure of stock market activities should be a death blow to the illusions of those who thought they could make more on their money in Wall street than by putting it in life insurance, a surprising number still cherish the idea that they can make a killing in the market when the upturn sets in.

It is difficult for the life insurance man to persuade them that they should forget their get-rich-quick dreams and start the accumulation of an estate through life insurance cash values. Their usual argument is that they want only the cheapest form of term insurance and they will take care of the investment independently.

Sale Only for "Insider"

A member of a well known statistical organization, when consulted about the chances of the non-professional trader making money in the stock market, said that unless a man is so much on the "inside" that there is no chance of anyone else being still further inside, he has no business investing in common stocks except in the same spirit that he might "invest" his money at the race track or the gambling table.

"The psychology of the average well-to-do man," he said, "is something like this: He knows he ought to put a substantial reserve into life insurance or government bonds. But the modest return on the really safe investment is not attractive. He kids himself into believing that something that promises a much higher return is almost as safe, or that the possible large profits justify taking a chance.

Cannot Compute Odds

"He has no way of computing the odds against him and doesn't realize the large chance he is taking on losing his entire principal. It is particularly hard for him to foresee the human weakness that will, after he has lost all but his final reserve fund, throw that in too to stake everything on one last chance.

"He is flattered to have a stock salesman calling him up and talking knowingly and confidingly of this or that development. The salesman isn't dishonest but he is in the business of making sales of stock.

"Every person who plays the market thinks that he knows what he is doing and is behaving very intelligently and shrewdly. He assembles a lot of facts and figures and maybe he has an 'inside tip.' He buys a certain stock and it goes up ten points. He credits himself with sound business judgment and keen foresight. He would better call it dumb luck, for it would cost him less in the long run to have less faith in his own acumen.

Stupidity Will Be Repeated

"After the Florida land boom collanse you would wonder that anyone would so soon afterward get caught in another pumped-up boom like the stock market inflation that preceded the crash. Yet they did get caught and the same stupidity will cause people to lose their shirts in the next boom just as they did in the last one.

"The man who is playing the market as a sideline simply cannot make money by using better intelligence or superior 'inside' information. There are cases, of course, where individuals have profited, but it was not for those causes but because of a lucky break, the same as might occur in any other form of gambling. Most so-called inside information and rumors that float around are erroneous. Actual misinformation, put out with dishonest intent, is much rarer. The chance of getting an accurate 'tip' is exceedingly remote.

"The fact that stock market devotees don't know when to let go their holdings is shown by the large number of buying orders that were in when the market broke in 1929. The outsider had no idea of what was really happening — and he won't the next time, either."

Bankers' Demand for Loans Aired

Company President Sees "Vicious Circle" in Requiring Cash on Policies

JEOPARDIZES INSURANCE

Little Hope of Solving Loan-Lapse Problem Seen Except in Rewriting Contracts

A frank discussion of the problem presented by the undoubted demands of many banks upon borrowers that they obtain cash values in their life policies to reduce bank loans was made this week by a company president, one of the most alert and aggressive in this country and a man who is considered unusually wise in the investment field.

This president sees the banks' action in this direction as the start of a "vicious circle" which inevitably comes around to the bank's back door and produces end results which, he believes, offset any advantage gained by the banks in liquidating a part of their loans.

Explains "Vicious Circle"

The bank demands borrowers take down some of their cash value. In order to meet these cash demands, life companies have to sell securities, many of them undoubtedly issues held by the banks. Or, which is the same, expends its ready cash in meeting these loan demands and then must sell securities to meet death claims, dividends, administration expenses, or what not.

The dumping of considerable blocks of securities on an already "soft" market further depresses the market price, and the banks lose in depreciated valuations of their own holdings perhaps all they have gained in putting pressure on the borrowers.

Many Cases Are Known

This is not an unimportant factor in the policy loan situation. Although there is, of course, no way of estimating the total loans chargeable to such demands by bankers, many cases have come to light and there is no doubt that a great number of banks have availed themselves of this source of ready cash on otherwise temporarily "frozen" loans.

The matter long since has been taken up with the American Bankers Association by company executives, but it is difficult to secure a clear-cut decision as to policy, and to obtain even moderate observance of such a recommendation by banks still under great pressure, even if the A. B. A. were to decide with the life companies.

Taken Up with Bankers

Life men have pointed out collectively and individually to bankers that life insurance is a great economic bulwark; that the safety of the family depends

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Provident Officials Express Optimism Over Conditions

FIND OUTLOOK IS PROMISING

President Linton and Vice-President Marshall Sound Keynote at Leaders Club Convention

The outlook in life insurance is highly optimistic, both President M. A. Linton and Vice-President E. W. Marshall of the Provident Mutual told members of the "Leaders Club" in convention at White Sulphur Springs, W. Va.

President Linton gave the closing address Thursday in the five-day meeting, speaking on the immediate business outlook. New business, he stated, is holding up satisfactorily, the latest 1932 figures showing 98 percent of the 1931 figure to date. Despite heavy lapsation in practically all companies, the Provident's cash receipts have been sufficient to cover all requirements and enable the investment department to take advantage of market conditions, purchasing bonds at satisfactory yields. A new company magazine, "The Provident Policy Owner," was announced by Mr. Linton, to be mailed to every policyholder in the United States and Canada.

Satisfied With Situation

Mr. Linton expressed great satisfaction with the present investment status. Out of $85,900,000 bonds and $1,400,000 stocks, the total amount of overdue and unpaid principal is only $25,000, and the overdue and unpaid interest less than $11,000. In the mortgage field less than 2 percent of total investments have been foreclosed.

Vice-president E. W. Marshall spoke on "Our Timely Goods," outlining the change in popular sentiment as regards speculative versus guaranteed investments. "If past history is any guide," he said, "for years to come the public will be more wary of speculative propositions."

Life insurance production did not slump as low as general business, he said, because although community purchasing power fell, public confidence in life insurance increased. During the first seven months the company has sold 16 percent more single premium annuities, two and a half times as many deferred annuities and four times as much single premium insurance as in the corresponding period of 1932. Approximately $12,500,000 of insurance has been paid for on the "Provident Providor" plan since its inception not two years ago. He urged taking full advantage of the current desire for guaranteed instead of speculative values.

State Officials Speak

Governor Blackwood of South Carolina and Commissioner Lawson of West Virginia addressed the convention. There were present 96 qualified members of the club, of whom 11 were designated "Blue Ribbon" winners, having production over $400,000, the first day being set aside for them.

Sigourney Mellor, president of the club, presided the second day, greetings being extended by F. C. Morss, manager of agencies, and introductions of new members made by W. D. Cross, assistant to the manager of agencies. B. M. Ogelsby, Pittsburgh, president General Agents association, extended greeting.

Commissioner Lawson stated that in today's crisis only two securities are sure of paying 100 cents on the dollar—cold cash and life insurance. He paid tribute to the Quaker idealism and strict conservatism of the Provident, and stated that in his four years as commissioner not a single complaint had been filed against the Provident Mutual or any of its agents.

Isaac Miller, secretary-treasurer of the club, presided Wednesday. C. R. Gordon, Easton, Pa., pointed out that failure of debtors to pay off obligations to creditors had shifted the real prospects from one class to another and in effect created a new market for life insurance.

Delaplaine McDaniel, Philadelphia, brought out the need for new prospecting methods. Veteran agents are experiencing the most difficulty in keeping up production. He suggested experimentation with new prospecting methods.

The golf tournament was won by D. C. Bryant, of Los Angeles, Frank Cannell, Boston, being runner-up, and G. S. Miles, Memphis, third. A separate tournament was held for home office officials, won by Mr. Cross, President M. A. Linton and Vice-president Todd tieing for second place.

Governor Blackwood, who spoke Thursday in the session presided over by Henry Sonneborn, Jr., paid tribute to the high caliber of insurance men. Henry Bossert, Jr., manager statistical department, spoke on conservation. Granting that a great deal of substituted insurance is necessitated by present-day conditions, he enumerated five questions an agent must ask himself if substituted cases are to be considered legitimate: 1. Is the policyholder insurable? 2. Is there a large advance against the policy? 3. Has the policyholder any savings which he might use to pay off the advances? 4. Has the federal income tax deduction been taken into account? 5. Have the more liberal features of the old policy forms been taken into account?

Presidential Wings Are Now Beginning to Sprout

DANIEL BOONE

Daniel Boone, president of the Midland Life of Kansas City, Mo., is being groomed by his friends for the next president of the American Life Convention. He has been on the executive committee for the last few years and was prominently mentioned as a presidential candidate last year. For personal reasons, however, he declined to allow his name to be presented, but it is understood that this year he may be elevated to the high office.

The terms of three members on the executive committee expire this year. C. W. Gold, president of the Pilot Life, who was selected on the committee following his presidential term two years ago, will retire from the committee. His place will undoubtedly be filled, according to precedent, by John M. Laird of the Connecticut General, president this year. F. V. Keesling, vice-president West Coast Life, also has a term expiring, but he will doubtless be reelected as he is in line for the presidency in 1933. Mr. Boone's term expires this year, but he in all probability will be elected president and therefore a new man will have to be chosen in his place on the committee.

Dr. C. J. Rockwell Changes His Basis of Operations

CUTS OUT LONG SCHOOL TERM

Well Known Educator Will Confine His Work to Shorter Courses and Conferences

Beginning with this school year no more long, intensive courses will be given by Dr. Chas. J. Rockwell, who will devote his entire time to short terms and educational conferences for companies and associations. This feature of his work has grown so popular and the requests for his time so frequent that the long eight week terms of the Rockwell school have become impossible to continue.

The decision to do this was made reluctantly, becaue Dr. Rockwell is the dean of life insurance salesmanship educators, known to all life insurance men of the United States and Canada, a pioneer in the work he began while corporation secretary of the Edward A. Woods Co. of Pittsburgh, then and now the greatest selling agency in the life insurance world. Later he was director of the School of Life Insurance Salesmanship at Carnegie Institute, the first university school of life insurance salesmanship, and director of the division of life insurance at the University of Pittsburgh before he founded the school he now discontinues.

Rockwell School Was Traveling School

The Rockwell School was always a traveling school, giving terms of university grade in different cities under the auspices of the local underwriters' associations. Dr. Rockwell has consecutively directed the most famous insurance schools in the world, from which have graduated company executives and many of the most successful general agents. In addition Dr. Rockwell has been on the staff of the University of Cincinnati as lecturer on life insurance. This work he will continue and enlarge as his home is at Cincinnati. His office he will continue at 8 North Michigan avenue, Chicago. He will continue and extend his editorial work with the "Insurance Salesman" and his close relationship with the National Underwriter Company.

Dr. Rockwell's Comment

Dr. Rockwell writes THE NATIONAL UNDERWRITER: "Having repeatedly appeared as educator or lecturer before business and educational institutions in almost every city in the United States and Canada, I naturally am pleased at being able to extend this work and to see my many friends more frequently and intimately. To discontinue the Rockwell School was not an easy decision to make, but it appears to me more necessary, at this time, to reach those who could not afford the expense of travel, maintenance and tuition which was unavoidable in the long terms. By working directly for companies on a fee basis the cost can be distributed over as large a group as they may care to assemble, the length of the term made long or short as they may desire, and the instruction level adapted to the experience of the group. This was impossible in the established school, with a standardized curriculum and a per capita tuition cost.

Should Have Organized Instruction

"The vast number of new men who have entered our ranks in the last two years are eager for (and by right should have) organized instruction in underwriting. They have mastered the 'tricks of the trade' and are looking for a wider opportunity. All organizations are facing a heavy turnover from discouraged or baffled men—which can be checked. These men are not satisfied

(CONTINUED ON PAGE 22)

Number of Subjects Are Up for Treatment by Officials

PLANS MADE FOR GATHERING

National Convention of Insurance Commissioners Is Rounding Up Talent for Annual Meeting

The program for the annual meeting of the National Convention of Insurance Commissioners at Dallas, Oct. 17-18, is being formulated. Commissioner Mitchell of California will speak on "Assets of Insurance Companies." Superintendent Van Schaick of New York will give an address on a subject which he will select himself. Commissioner Olsness of North Dakota will have as his subject "The Evils of Interlocking Investments and Directorates of Stock Life Insurance Companies, and the Remedy." Commissioner Kidd of Indiana will speak on "Reserves, Other Than Life." Commissioner Boney of North Carolina, who is chairman of the executive committee, will give an address, but has not yet selected his topic.

DALLAS PLANS MATURING

DALLAS, TEX., Sept. 1.—Plans for entertaining the Insurance Commissioners' Convention, Oct. 17 and 18 in Dallas were outlined at a meeting of the arrangements committee, headed by Judge T. L. McCullough. Although the association will hold only business sessions in Dallas, going to Houston and Galveston Oct. 19-20 for a cruise and other entertainment, the delegates will be guests of the local committee at the state fair of Texas. To welcome the visitors to Texas, a delegation of Dallas insurance officials will go to Denison, Oct. 16, boarding the special train or special cars bearing the delegates and returning with them to Dallas. The insurance special will leave St. Louis at 10 p. m. Oct. 15.

State Insurance Department Examiners Are Organizing

The National Association of Insurance Examiners, composed of actuaries and examiners of state insurance departments, is now in process of organization, having to date 115 members. Officers are being elected by mail. R. D. Chapman of the Illinois insurance department is acting as secretary. The prime movers in the organization, aside from Mr. Chapman, are Lawrence Rouble, chief examiner of the California department; L. K. Arrington, chief examiner Tennessee department, and R. M. Meyer, actuary of the California department. The association will have a committee present at the annual meeting of the National Convention of Insurance Commissioners. It is hoped that the commissioners' organization itself will recognize the examiners' association.

Roosevelt's Son Sells Tobacco Man $2,500,000

A $2,500,000 life insurance policy has been sold by James Roosevelt, son of Gov. Franklin D. Roosevelt of New York, Democratic nominee for President, to George Washington Hill of New York, president of the American Tobacco Co. The governor's son was questioned as he was leaving for a trip to Hartford and New York, but stated he could neither confirm nor deny the report. It is said the policy was distributed among a large number of companies, mostly midwestern.

Toronto Programs Being Announced

American Life Convention Will Present Some Excellent Features This Year

TIMELY TOPICS ASSIGNED

Agency and Home Office Management Sections Have Already Completed Their Arrangements

Life insurance having come through the general depression in better shape than any other industry, winning the admiration of the entire financial world, it is certain that the post-depression will present new and unusual problems to the agency department and home office management officials of all life insurance companies. It was with anticipation of these new situations that the business programs for the Agency Section and Home Management Section of the American Life Convention were prepared.

The annual meeting of the American Life Convention is to be held at the Royal York Hotel in Toronto, on Oct. 5-7, being preceded by the annual meeting of the Legal Section Oct. 3-4.

Meeting of the Agency Section

The Agency Section will hold its special meeting on Friday, Oct. 7, with W. W. Jaeger, vice president Bankers Life of Des Moines, chairman, presiding. J. A. McLain, vice president Guardian Life, is secretary of the Agency Section. "The Present Situation—And Its New Demands Upon the Agency Officer," is the theme of the section's program.

The first formal speaker on the program will be A. Gordon Ramsay, assistant general manager Canada Life, on "Today's Agency Problem." "The Actuary Makes an Assist" is the interesting and unusual title of an address by E. McConney, actuary, Bankers Life of Des Moines. Lee J. Dougherty, president Guaranty Life of Davenport, Ia., will speak on "The Executive Raises a Question." "A Solution," by Frank L. Jones, vice president Equitable Life of New York, is the last of the formal papers.

Following the close of Mr. Jones' address the meeting will be thrown open to an open forum discussion of various agency department problems.

Home Office Management Program

The Home Office Management Section will present its program Oct. 6, with J. H. Domelle, secretary Canada Life, presiding. W. N. Bagley, assistant actuary Travelers, is secretary of the section.

"Home Office Staff" is the subject of the first paper on the program. The speaker will be J. B. Slimmon, secretary Aetna Life. "Budget Control," by A. A. Rydgren, president Continental American Life of Wilmington, Del., is the next paper, while E. G. Brown, vice president and actuary Southwestern Life, Dallas, Tex., will be the concluding speaker. His subject will be "Auditing."

The meeting will be thrown open for a general discussion of the various points raised by the speakers and any other problems of general interest.

The golf winners in the tournament Oct. 3-4 will be rewarded at the stag dinner to be held on Oct. 4. Dr. H. W. Dingman, vice president Continental Assurance of Chicago, is to be the toastmaster.

Fine Analysis of Business

Analysis of 1,000 consecutive "run-of-the-mill" cases recently submitted to the Guardian Life showed many interesting facts, Nelson F. Davis, Jr., assistant superintendent of agencies, told the company's agents at the Quebec convention.

Forty-four percent were closed on first interview and 27 percent on the second. The average size life policy was \$2,955, gross volume being \$2,825,000. This is smaller than in former years, so he deduced more calls and harder work are required to sell a given volume now.

Higher Premium Forms

Endowment policies averaged \$350 larger than ordinary life and special life income endowments \$550 larger. Family income cases averaged \$4,900 and contracts employing settlement options, \$6,000.

It was significant, he said, that 40 percent of the volume was in \$5,000 and \$10,000 policies. Mr. Davis said 30 percent of all cases were written on old policyholders and 16 percent through them—38 percent of these latter applicants having no other life insurance.

Of all the cases, 4.4 percent were special income annuities, 61 percent of these being purchased by men and the remainder by women.

The age group 10-14 accounted for 4 percent of the applicants; the group 15-19 for 7 percent; 20-24, for 16.4 percent; 25-29, for 20 percent; 30-34, for 17 percent; 35-39, for 14.4 percent; 40-44, for 9.3 percent; 45-49, for 6.2 percent; 50-54, for 3.7 percent, and 55-59, for 2 percent. The average size policy in group 2024 was less than \$2,000. The average policy in groups from 50 to 60 was the average for all the groups from 10 to 60. He said this indicates older groups do not buy in as large amounts as underwriters are accustomed to believe.

Average policies for the various groups were: 10-14, about \$1,800; 15-19, \$1,500; 20-24, just under \$2,000; 25-29, just under \$3,000; 30-34, about \$3,100; 35-39, about \$3,900; 40-44, about \$4,700; 45-49, \$3,500, and 50-54 and 55-59, \$3,000.

Classes Best to Solicit

Executives, merchants, traveling salesmen and lawyers made up 27 percent of the cases submitted and had a sizeable average policy. Clerks were a large percentage in number but had a very small average policy. Classification by occupations and average policies was:

Clerks 13.8 percent, \$2,400; students 11, \$2,000; farmers 10, \$2,000; executives and mechanics, each 8.5, and \$7,400 and \$2,000 respectively; housewives 8, \$1,250; merchants 6.6, \$3,650; traveling salesmen 6.1, \$4,000; lawyers, doctors and dentists 6, \$4,400; store clerks 3.3, \$2,000; teachers 2.8, \$2,400; insurance 2.7, about \$2,000; laborers 2, \$2,000; truckmen 1.8, \$1,300; unemployed 1.6, \$1,200; police, firemen and U. S. Coast guardismen 1.5, \$2,500; clothing factory employes 1.4, \$1,200; engineers and chemists 1.2, \$2,750; restaurant keepers 1.2, \$3,000; barbers 1, \$2,100; building contractors 1, \$3,500.

Amplifies "Prospect" Definition

Mr. Davis said the usual definition of a prospect as one physically and morally able to secure it, financially able to pay the premiums and having some need for it also should include ambition, experience in life and appreciation of family.

He said the agent's curse is people who "will buy in the future." Many agents make too many repeat calls; they acquire too many prospect cards. He urged getting "news" and not merely "names." Information about a person may create pressure for the purchase of life insurance.

Too little knowledge of the prospect's business is an ever-present evil. Agents do not frequently enough build up their own policyholder-prospects.

Novel Sales Contests Stimulus to Production

Monthly contests with unusual features are proving for some companies to be the answer to maintaining production in these trying times. Agents seem to respond to the challenge of a contest when demands of family maintenance and support fail to stir them to the extra effort now needed.

The Equitable of Iowa is carrying on a "football" contest in September between the "Tigers" and "Panthers." In every agency is hung a "gridiron" showing progress of the game, daily scores being recorded. Within the major game are a number of sectional contests. Strict paid for basis is employed.

Real Game Is Reward

Certain players will be entitled by their scores to attend the Ohio State-Michigan football game at Columbus, O., Oct. 15, and a sales school and conference will start there that day.

The North American Life of Chicago has been highly successful with several contests recently. Each one is of a month's duration. Recently a "grocery" contest was held, several assortments of groceries running up to \$30 in value being offered. There was keen rivalry in this contest, even the leaders being attracted by the opportunity to fill the larder.

Starts a "Spelling Bee"

Another contest, an old-fashioned "spelling bee," was started Sept. 1. This employs good psychology. There were 350 agents listed as participants. The word selected to be "spelled" with applications was "success."

Three apps are required by Sept. 15 to spell the first three letters or the agent is "spelled down" and can no longer participate for the nominal prizes offered. The names of those spelled down will be published, rather than those remaining in the contest. It is believed many agents will strive industriously to meet their quotas rather than to have their names published.

Recovery of Excess Taxes Paid in Tennessee Sought

NASHVILLE, Sept. 1.—Twenty-six life companies have filed suits in chancery court against Commissioner Reese of Tennessee. The total amount sought to be recovered is \$53,575, which the companies claim to have paid to the department under protest, in excess of fees the commissioner legally had the right to collect.

The declarations complain that Commissioner Reece sent to foreign life companies June 29, 1932, a circular letter demanding that all companies should remit in full the 2½ percent tax upon all gross premiums collected in the state without any deduction whatever for dividends, as they were not premiums returned. Heretofore the Tennessee tax has been based on net premiums, credit being allowed for dividends to policyholders.

Each bill states that under duress of the demand of the commissioner, the excess tax was paid under protest to avoid penalties, and that these suits are filed to recover the excess.

The companies filing suit and the amounts sued for are: Aetna Life, \$414; Atlantic Life, \$283; Bankers Life, \$367; Connecticut Mutual, \$327; Equitable of N. Y., \$5,680; Guardian Life, \$325; Home Life, \$465; Jefferson Standard, \$470; John Hancock, \$227; Manhattan, \$79; Massachusetts Mutual, \$2,641; Metropolitan, \$15,236; Mutual Benefit, \$1,790; Mutual of N. Y., \$5,817; National of Vermont, \$360; New England Mutual, \$1,161; New York Life, \$5,707; Northwestern Mutual, \$3,728; Penn Mutual, \$1,798; Phoenix, \$664; Provident Mutual, \$619; Prudential, \$2,367; Security Mutual, \$50; State Mutual, \$1,280; Sun Life, \$362; Union Central, \$1,348.

Free Lance Agents Getting Many Bids

Better Chance of Having Risks Accepted If Attached to One Office

AFFILIATION DESIRABLE

With Rejections Unusually Heavy, General Agents Seeking to Put Independents Under Contract

NEW YORK, Sept. 1.—With competition for new business increasingly keen, free lance brokers and agents are receiving many tempting offers to join this or that agency as a full-time producer. Of course independent writers usually have a number of standing offers but the more careful scruitiny of risks, especially from the moral hazard angle, has given the general agent a stronger argument to the free lance than merely office space and stenographer service.

Reputation Influences Home Office

General agents assert that the reputation of the agent has a lot to do with getting cases through the home office. The underwriting department will do things for him that they wouldn't do if he only submitted an occasional case. It isn't only the volume of his business that is important but the assurance on the moral side. It is not so much that they are afraid of losing his business if they turn down his application but the fact that the agent who has a record of good cases behind him is more likely to know what he is talking about when he endorses what the home office may think is a doubtful risk.

Free Lance Benefits

Some free lance writers consider that the position of non-affiliation puts them in a far stronger position with their clients and prospects. They are beholden to no one, and, theoretically at least, not prejudiced in favor of any one company. However, whether or not he poses as a free lance, each writer usually has some one office where he places the bulk of his business unless his client or the particular circumstances dictate otherwise. Usually he believes this office and company are not only the best from his own point of view but also from the assured's.

Knows His Offices

The smart broker, of course, knows which office will take what type of case. If he knows a certain company is liberal on sugar cases, for example, he may find it advisable to put most of his business through one of their offices to build up good will against a time when he may need it for borderline cases.

Better "service" is about all that a manager can offer an independent writer, for free office space, telephone and stenographer service are small considerations to the man who considers it a genuine advantage to be his own boss, with the ability to place his business wherever he likes.

Institutional Advertising as Applied to Life Insurance

By H. H. ELLIS, Oakland, Cal.
Special Agent Reliance Life

May I offer a comment upon the article by Emerson Foote, appearing in your issue of Aug. 12, in regard to the value of national advertising to life insurance companies?

If, as Mr. Foote states, "advertising is so necessary to the success of the insurance business and the welfare of its agents," why is it that the business has reached such tremendous proportions when only four or five of the some 300 companies have done any advertising at all, and they in only a very meager and desultory manner, compared to the amount of business they have accumulated?

Do Not Give a True Picture

Mr. Foote, not being a life insurance man, and consequently not being familiar with the different factors which make for volume in the production of insurance, does not, therefore, realize that charts and graphs based entirely upon figures and percentages, without regard to the factors back of these figures, may not give a true picture of the situation, nor will they prove the point at issue. He fails to realize that the tremendous army of Prudential, Metropolitan, and John Hancock agents literally fine-tooth comb the entire country every week; that these men, up until about ten years ago, paid little or no attention to ordinary business; that, having their attention and efforts then at least partially directed toward ordinary business, this vast army of men, during the last decade, rolled up the impressive volume of business the companies now have.

No Effect on Their Growth

The fact that the big industrials did do some advertising during this period, therefore, had little or no effect upon their rapid growth during that time. The very nature of their advertising would prove this. Until very recently, their advertisements were confined to a picture of the Rock of Gibraltar, denoting strength, by the Prudential, and talks on health and the prevention of disease by the Metropolitan, neither of which contained any direct sales appeal.

As for the Phoenix Mutual, no logical conclusion as to the value of advertising can be drawn from its experience during the last decade. While, on one hand it has done some national advertising, on the other it has followed a policy in agency building unlike any other company, which has had more effect upon its progress than the advertising it has done.

Why Ignore the Postal Life

If Mr. Foote thinks that advertising is so necessary to the success of insurance companies and their agents, and insists upon dividing the companies into two groups—advertising and non-advertising—irrespective of any other factor, in making his comparisons, why did he ignore the experience of the Postal Life? This company, which has wagered its very existence upon the value of national advertising, having no agents, until very recently when it acquired a running-mate, the Postal National with agents, has during its life, accumulated about $60,000,000 of business in force, while other companies of the same age which have never advertised, but depended entirely upon agents have accumulated anywhere from $150,000,000 to $500,000,000 of business in force.

Insurance Has Trust Basis

Finally, Mr. Foote seems to forget that an insurance company cannot be compared to other great corporations in its attitude toward advertising. While other corporations sell merchandise, an insurance company is really one form of trust company. The money paid in in premiums is merely entrusted to the company under contract. It operates on a very close margin and any sizeable appropriation for advertising would be directly reflected in either decreased earnings for the agents or decreased benefits to the policyholders.

Life June 30 Statement Figures

(As Filed with Georgia Insurance Department)

Company—	Capital	Assets	6 Mos. Income	6 Mos. Disburs.
American Life, Ala.	$ 318,952	$ 836,605	$ 148,201	$ 124,907
Berkshire	....	49,061,678	4,931,301	4,981,021
Connecticut Mutual	....	207,258,122	21,680,647	17,545,306
Equitable, N. Y.	....	1,425,990,611	185,659,924	143,734,014
Franklin	250,000	32,247,106	4,108,256	4,035,201
Guardian, N. Y.	200,000	93,511,336	11,234,953	8,984,769
Jefferson Standard	1,000,000	56,946,863	7,721,469	6,072,847
Kansas City	1,000,000	72,917,030	7,445,670	7,068,780
Life of Virginia	500,000	73,708,352	8,247,175	7,233,261
Manhattan	100,000	20,608,475	1,900,304	1,974,853
Metropolitan	....	3,649,867,115	473,773,109	379,258,410
Monarch	445,000	2,592,640	1,578,365	1,563,883
Morris Plan	525,000	1,795,245	287,149	279,964
Mutual Life, N. Y.	....	1,114,209,942	118,847,443	103,267,469
New England Mut.	....	273,327,408	30,329,616	24,650,985
Pacific Mutual	5,082,000	192,827,987	20,729,425	17,769,875
Penn Mutual	....	501,621,334	51,207,560	43,076,522
Pilot	1,000,000	13,784,088	1,866,882	1,867,510
Provident Mutual	....	260,094,245	24,942,179	22,329,934
Reserve Loan	200,000	12,026,661	1,491,196	1,472,359
State Mutual	....	150,408,998	15,764,868	14,009,211
Travelers	20,000,000	657,587,458	96,762,754	88,615,060
United Benefit	300,000	1,858,605	682,198	534,662
United Mutual	....	26,722,647	1,937,254	1,827,160
American Bankers	250,000	5,624,694	853,145	915,275
Bankers Reserve	500,000	22,826,915	2,217,878	2,155,611
Maryland Life	1,000,000	5,565,916	378,407	464,360
National Life, U. S. A.	2,000,000	55,963,235	4,258,759	4,790,952

Attorney General of Ohio Gives Ruling on Annuities

COLUMBUS, O., Sept. 1.—Gilbert Bettman, Ohio attorney-general, has given the tax commission an opinion to the effect that if a certain sum of money is paid as the purchase price of an annuity, one-half of such sum of money should be taken as the principal upon which the income yield should be computed at the rate of 4 percent prescribed by Section 5389 of the Ohio general code, although the annuity was purchased and in force prior to Jan. 1, 1932.

H. Walters of Dayton has been placed in charge of the Fostoria, O., district office of the Western & Southern Life, succeeding F. P. Lindsey, who has been transferred to Dayton.

Conservation Now Weighty Problem

Difficult for Officials to Decide Just How Much They Should Do in This Line

WORK ALMOST IN DARK

Too Much Assistance Found to Encourage Lazy Agents; Too Little Causes Lost Business

Conservation officials look for no lightening of their load this year and there is a strong feeling that final figures for 1932 will show it worse than 1931 in lapsation. Company conservation plans vary widely. Some believe that nothing less than a thoroughly comprehensive plan will suffice, others hold that more than a small amount of money spent on conservation is wasted.

All, however, are faced with the problem of working practically in the dark as to whether any given surrender is a genuine distress case or whether additional intelligent conservation efforts could save it.

Cooperation a Problem

It is usually impossible to get cooperation from agents after renewal commissions are no longer involved. While the prevailing 5 percent renewal is a material consideration, those in charge of conservation would feel greatly relieved if the large first year commission were split up so that renewals for the first few years could be substantially larger.

While such a plan might cut down new business, yet it would be merely making commissions reflect more accurately the increasing importance that is being placed on persistency as opposed to mere volume. Those in charge of conservation are faced with something of a dilemma in working with agents whose renewals are involved.

Interested in New Business

If the home office is too active in saving the agent's business there is the danger that the agent will let the home office do all his worrying for him, the tendency being for him to let the home office take care of his renewals while he devotes his time to new business. If, on the other hand, not enough is done to cooperate with the agent he is too likely to lose many cases that could otherwise be saved.

A certain prominent company which has a very efficient reinstatement department gets a very accurate picture of this condition.

Constantly on Guard

It has to be constantly on guard lest its reputation for salvaging lost cases becomes so widespread that its agents will do less than their best in keeping their own business on the books.

A reliable measuring stick is hard to find. A high or low lapse ratio may have little or nothing to do with the efficiency of the home office conservation department. A company with a high lapse rate might have a much higher one were it not for its conservation department, and the one that has only a rudimentary department cannot tell without trying just what well directed efforts might accomplish.

Peoria—Assistant Secretary A. E. N. Gray of the Prudential will speak before the Peoria Life Underwriters Association Sept. 13. Steps are being taken to form a Peoria C. L. U. chapter. A committee composed of C. T. Wardwell, R. C. Lowes, Jr., and J. H. Wilson is in charge.

Disability Helping in Lapse Problem

Despised Clause Found Strongest Argument in Holding Business During Depression

SELECTION MUCH TIGHTER

Companies Now Frequently Disapprove Reinstatement of Provision if Policyholder's Income Has Declined

An interesting development has come out of the writing of disability income clauses in connection with life policies and the arguments pro and con. It now appears that companies pretty generally throughout the country are finding that the much maligned disability clause is the chief and strongest argument against permitting a policy containing it to lapse. Selection standards are much tighter, and companies quite often fail to approve reinstatement of disability in a lapsed policy.

Policyholders are now quite generally aware that the companies have lost heavily on the old broad disability contract, and for that reason they part with these policies only when it is impossible for them to continue paying the premium. They never in all probability will be able to get clauses so broad. Even in the field of straight non-cancellable accident and health insurance, it is impossible to get contracts paying lifetime indemnity on so broad a basis as in some of these old clauses sold in connection with life insurance.

Means Considerable Loss

Policyholders have become aware that the large proportion of companies have reduced disability income from $10 to $5 per month per $1,000 at a rate which actually means a considerable increase. Quite naturally policyholders want the $10 per month, for the $10,000 of life insurance with disability which the man of average means can carry, means $100 a month and at least a living income for him and his family in case he becomes totally disabled; but $50 a month for life, while better than nothing, is sufficient only for the barest kind of existence.

"It looks as if the much despised disability clause is about the only thing that is holding the business on the books these days," one prominent company official comments.

Best Argument of All

"Of course conservation departments have evolved arguments calculated to meet the objection of a man holding a policy carrying a large policy loan, that he is not only paying the premium but also interest, and what amounts to a rate of premium much higher than that which he started out to pay; but there does not seem to be a real practical argument which saves business from lapsing such as the one which can be presented in connection with the old $10 a month disability clauses.

"Such a disability clause is showing an asset which it was never expected nor intended to have and it is proving to be not an unmixed blessing."

A great deal has been said this year about 1932 being a conservation year; about hanging on to business on the books. It has been stressed that there is a tremendous total of policy loans in force and where these are anywhere near maximum they seriously jeopardize the insurance, and in fact, most company men believe, almost inevitably mean lapsed policies.

(CONTINUED ON PAGE 21)

Effect of Additional Tax on Life Insurance Fund

The Harris Trust & Savings Bank of Chicago asks, "What has the additional estate tax done to insurance?" It says:

"A categorical answer would be 'nothing.' The additional estate tax has in effect increased the estate tax rates and reduced the specific exemption from $100,000 to $50,000, but it has not changed in any way the taxability of insurance proceeds. The effect of the reduction in the specific exemption, however, is to give those estates which consist only of life insurance a smaller exemption than was formerly enjoyed. Thus, before the revenue act of 1932 was passed, an estate could consist of $140,000 of life insurance payable to named beneficiaries and no federal estate tax would be payable by the estate; today the aggregate value of the insurance proceeds that would be non-taxable (assuming that the estate held no other assets of value) would be $90,000.

"The rules governing the taxability of insurance proceeds remain unchanged. These rules are as follows: If the insurance is payable to the estate, the entire proceeds are taxable, regardless of who pays the premiums. If the insurance is payable to a named beneficiary, the proceeds in excess of $40,000 are taxable if the decedent during his life retained the legal incidents of ownership in the policies and the decedent paid the premiums. If he did not retain the legal incidents of ownership, the proceeds are not taxable, regardless of who paid the premiums. If he did not pay the premiums, the proceeds are not taxable, regardless of whether or not he held the legal incidents of ownership."

Rewriting Has Some Benefits

The growing tendency, as a conservation measure, to salvage heavily encumbered life policies by rewriting as of attained age, thereby cancelling loans, suggests a mutually agreeable method of escape from the disability problem which is besetting life companies, according to several company officials.

The Mutual Life of New York plan is also being discussed, one insurance medical authority believing that the non-medical feature, while saving much business that would otherwise lapse, will attract the older ages and impaired risks, resulting in adverse selection.

Offers Convenient Solution

Either method, however, is said by critics to offer a convenient way out of disability obligation contracted before this provision was ruled out or modified by a majority of companies. Life policies which have been in force over a long period of years during which the disability feature was introduced, having large cash values, were among the first to be borrowed upon. All such business rewritten will not carry the clause, either because the company has withdrawn it or is discouraging its sale.

Experience of a few underwriters handling rewrite cases indicates that the policyholder is willing to sacrifice the disability clause if he can be shown a way to cancel the heavy policy loans and at the same time for a slight increase in cost keep intact the net or entire amount of his protection.

Some Adverse Selection

In so far as the non-medical plan is concerned, the consensus is that adverse selection will be experienced on policies of short life expectancy. Medical selection at the inception of a policy, life insurance medical authorities say, is at best capable of holding up but six or seven years. Policies that have been in force long enough to accumulate attractive cash values are held by two groups of policyholders. The higher ages and impaired risks will leap at the chance for non-medical coverage. The second group, the lower and healthier ages, will hazard a medical examination and have their insurance completely rewritten. However, if both groups show enthusiasm for the non-medical plan, the idea is a wise one, as a conservation measure only, it was agreed.

Obligatory Method Better

Other aspects of the plan to rewrite business were advanced by underwriters and general agents. In many instances, one agency reports, younger policyholders, and some older ones, are admitting that it is far harder to pay off loans at 6 percent in addition to premiums on the gross amount of insurance where only the net amount of insurance is effective, than to pay higher premiums and be relieved of indebtedness which they frankly say they hardly expect to pay off. Theoretically the loan is paid either way, but the latter plan is a form of obligatory payments, while the former is optional and is very easy to neglect.

Home Office Function

Some general agents and managers, commenting on the plan from the agent's point of view, feel that no matter what means are used to encourage the agent to rewrite and salvage heavily encumbered policies, it is a home office function through a conservation department.

The suggestion that a commission, similar to a first year commission on new business, be given the agent for rewriting policies, is frowned upon as an invitation to twist the company's own business. One manager feels that a campaign conducted by mail and followed up by home office salaried service men located in various agencies throughout the country, would be much more effective as a conservation plan, and much less costly both from the point of agent's time and acquisition costs.

Receivership Doesn't Alter the Contract, Court Holds

A decision of interest to policyholders in companies for which a receiver has been appointed is that of the Arkansas supreme court in Central States Life vs. Holcombe. The decision affected a policy in the Home Life of Arkansas, which was taken over by the Central States Life.

The court held that one who knew the terms of a policy as to the date of payment of premiums and the provision for forfeiture in case of non-payment when due, could not claim a waiver of the forfeiture provision because of a letter from the company written in answer to an inquiry to the effect that the company was being reorganized and that as soon as reorganized it would let insured know to whom to pay the premium. The non-payment of a premium when due causes a forfeiture of the insured's right under the policy, according to the court.

The court held that there was no duty resting on the insurer to apply funds toward the payment of premiums for the extension of a policy where the full cash value had been borrowed and the last premium due had remained unpaid beyond the 30 days of grace and a check sent by the insured prior to the due date of the premium and cashed by the insurer was intended for interest that was due on the loans and not to pay the premium.

Two Methods Followed as to Larger Policies

Underwriting executives of life companies are giving much attention these days to large policies because of the high mortality ratio on them as compared with the smaller ones. For instance, a man carries $500,000 insurance. So far as the companies are concerned the $500,000 class shows a higher mortality than the $50,000 class or the $10,000 class. As the amount of insurance carried above $100,000 mounts upward the mortality ratio increases. This has been particularly true during recent months because of the financial cyclone and the consequent business and general commercial depression.

Suicide Rate Increased

Men who were engaged in promoting large enterprises or had incurred heavy obligations found their backs to the wall. The suicide rate has been unduly high and many nervously broken have succumbed to various disorders. Many of these carried considerable life insurance. The problem with the underwriter is how to deal with these large cases. More thought is being given to this question than ever before.

Two concrete ways of dealing with large risks are exemplified in the course followed by two of the large companies. Take the first one. It does not reinsure much of its business, if any. What it carries is usually the gross amount it writes. It therefore has no large gross policy, reinsured down. It trains its men to build up on the unit plan, adding a new policy to the old amount as soon as the policyholder is in a financial condition to carry more insurance. This company prides itself on the proportionate amount of business that comes from its old policyholders to the total new business written.

A policyholder's insurance is pretty well programmed. Therefore the company has a checkup on the same policyholders at rather frequent intervals. If it writes $10,000 or $25,000 more it requires a new medical examination and new inspection. Many of its policyholders carry comparatively large amounts and many of them its limit. This has been built up on the unit plan. The company, therefore, has a very clear picture of such a policyholder from his first policy to his last. This enables a company to sense danger in later years if there is such. This plan means the gradual building of an insurance line and securing information on each successive addition.

The other plan is one that depends not only on a man's present condition but it involves a study of his future. In other words this company projects the man into the future years. It aims to have underwriters who possess a prophetic instinct. Perhaps they have psychic characteristics. They analyze a man not only from the medical but from a business, moral and psychological standpoint. They aim to find out what are the attributes that make the man. They endeavor to see how he will respond to various crises that may come. They attempt to measure his capacity, his knowledge, his vision, his endurance, his ambition, his power to stand punishment. They anticipate the future. A man, therefore, must submit to a very vital psychological test.

Seemingly each policy has proved successful. These companies have been able to stem the tide and keep their mortality more toward the normal.

Insurance Men Appointed on U. S. Chamber Committee

AMBITIOUS PROGRAM READY

President Harriman Outlines Scope of Activities Planned in Conservation, Taxation and Retirement

WASHINGTON, D. C., Sept. 1.—Ten outstanding insurance men were appointed members of the new insurance committee of the U. S. Chamber of Commerce.

The committee, announced by President H. I. Harrimon of the chamber, is: G. D. Markham, W. H. Markham & Co., St. Louis, chairman; Justin Peters, president Pennsylvania Lumbermens Mutual, Philadelphia, vice-chairman; G. E. Beardsley, vice-president, Aetna, Hartford; S. B. Black, president, Liberty Mutual, Boston; William BroSmith, vice-president Travelers, Hartford; L. J. Dougherty, president Guaranty Life, Davenport, Ia.; P. J. Fay, Nichols & Fay, San Francisco; P. L. Haid, president Insurance Executives Association, New York; L. A. Lincoln, vice-president Metropolitan Life, New York, and W. D. Winter, vice-president Atlantic Mutual New York.

The committee will act in an advisory capacity to the national chamber and its insurance department on all questions pertaining to insurance, its first task being to assist in carrying on a program of activities during the next 12 months.

Sets to Work Immediately

The committee immediately will outline plans to develop and extend conservation work conducted by the insurance department in the fields of fire prevention and health conservation, such as the inter-chamber fire waste contest and inter-chamber health conservation contest, which have been effective in communities throughout the country. The committee will initiate plans to spread this work among a larger number of communities.

"The committee also," President Harrian stated, "will be called upon to consider proposals to reimburse persons injured in automobile accidents with a view to determining their practicability. The national chamber is opposed to the principle of compulsory automobile insurance. It, however, recognizes the basic principles involved in the so-called financial responsibility laws as equitable and conducive to improving safety conditions of our streets and highways.

"During the coming year, the insurance department will make a survey of the amount of special insurance taxes, licenses and fees paid by the insurance business to the various states. In the last year, it has been shown that approximately 4 percent of these special levies are turned over to the insurance departments of the states, the remainder being paid into the general revenue funds of the state treasuries.

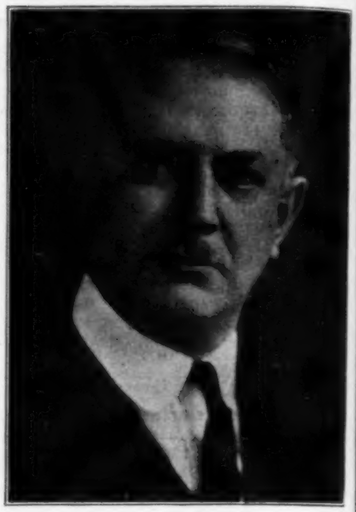
Promote Retirement Systems

"The insurance department will promote the chamber's policy favoring the creation of sound retirement systems for business Irms and corporations. It also will assemble data as to the recent changes in workmen's compensation legislation with a view to bringing about greater uniformity in the compensation laws of the different states.

"In line with the chamber's attitude in opposition to government competition with private enterprise, the insurance department will make a study of this subject as to its effect on the insurance institution. New developments in the insurance field, particularly the experience with unemployment insurance legislation in foreign countries and unemployment benefits plans in operation in this country, will be investigated by the department.

"The department will intensify its program of policyholders' education in order to develop a better understanding of the principles of insurance and the institution which carries on the business."

Rosenblatt, Big Writer in Chicago Field, Dead



SAMUEL J. ROSENBLATT

S. J. Rosenblatt, Chicago manager of the State Life of Indiana and until he became disabled a few years ago a leading personal producer, died Saturday after a long illness. Mr. Rosenblatt never failed to write $1,000,000 a year. He had a large clientele and many contacts. He entered the life insurance business in 1896 and was appointed general agent of the State Life in 1906. He was prominent in politics and philanthropic work. He served as a member of the special park commission of Chicago and as a north shore park district commissioner. He was a delegate to the Democratic national convention at San Francisco in 1920. His three sons, Bernard S., James S. and Leonard S. were associated with him in the State Life organization.

President R. E. Sweeney was present from the home office at Indianapolis to attend the funeral. General Agent Roy Kerr from Detroit attended on behalf of the field force.

Funeral services were held at Anshe Emeth temple in Chicago Monday. Mr. Rosenblatt was born in a Baltic province and came to the United States when he was 17 years of age. He was instrumental in founding the Hebrew federated charities and was prominent in the development of Maimonides hospital in Chicago.

Disability Clause Construed

The United States district court for the western district of Missouri has held, in Orr vs. Mutual Life of New York that the disability clause provides payments only for such part of the period of disability as follows the furnishing of proof of disability and not for the full period of disability.

The clause in question read: "If the insured shall furnish due proof to the company that he has become totally and permanently disabled the company, upon receipt and approval of such proof, will waive payment of each premium as it becomes due, commencing with the first premium due after approval of said due proof; and will, during the continuance of such disability, pay to the insured a monthly income, the first such monthly payment being due on receipt of said due proof. No income payments, however, will be made prior to approval of such proof by the company as satisfactory, but upon such approval whatever income payments shall have become due will then be paid and subsequent payments will be made when due."

Urges Agents to Use Suggestion Rather Than Logical Argument

Pungency of expression characterized the address of S. F. Thompson, Penn Mutual educational department, on "Successful Selling," before the Utica (N. Y.) Association of Life Underwriters.

"Selling, like charity," he said, "begins at home; that is, our first requisite is that we are thoroughly sold on the idea or ideas we intend to transmit. A salesman, in the final analysis, is one who transmits ideas effectively.

"The marvel of modern business is the acceptance of new ideas, and the economy of time and effort. To a degree we as underwriters have been hesitant about accepting new ideas. To a degree we have persisted in the maintenance of old ideas. We have persisted in the use of logic in our sales efforts, minimizing the suggestive force, which perhaps has more direct bearing on our results than does logic. Rarely does logic have much influence in actually selling.

Disaster Idea Is Passé

"Let us compare the modern idea of life insurance with the older idea. For years and years life insurance was sold on the basis of disaster, and even today this is frequently the basis. Let me ask you, if you were the prospective customer, which idea would appeal to you?

"We need, of course, knowledge of our contracts—that is fundamental knowledge, or, rather, knowledge of fundamentals. The greatest value of this perhaps is, not from a selling end, but more from the fact that we can furnish the proper type and form of insurance, and that we can arrange the disbursement of moneys for our client.

"The knowledge most valuable is that pertaining to ourselves and our customers. We might say of humanity. We know that if we talk a man's language, he will be interested. We also know that if we do not he will equally not be interested.

"We realize that ideas are transmitted entirely by pictures, either audible or visual, and so we should improve our pictures, we should make them colorful, interesting, dynamic, because by so doing we shall accomplish more easily and more quickly the result we desire.

"So let's go to the second factor—organization. This of course has many ramifications, the predominant ones, however, are what we say and the synchronization of our time. What we say will be based on our knowledge of humanity and of our business.

Organization Will Increase Sales

"If we organize ourselves as to what we say, and as to time, we shall without question increase our sales, especially if we synchronize the two.

"Let us go to the third factor—action. Success comes, not from sporadic efforts, but from persistent, consistent continuity of effort, or action. If we possess knowledge of the proper kind, if we thoroughly organize ourselves, and if we get action consistently, we shall be successful salesmen."

Disability Case Reversed on Appeal by Bankers Life

The mere fact that a policyholder with a total and permanent disability clause in his life contract has been disabled for 90 days would not entitle him to indemnity under the clause for this period if at time of making claim he was no longer disabled, the first division appellate court of Illinois has ruled in the case of A. B. Steffan vs. Bankers Life of Des Moines, on appeal from the municipal court, and has reversed the lower court finding of judgment for plaintiff, with the finding of facts that the company was not liable.

Steffan, a railroad switchman at times acting as conductor and brakeman, in January, 1931, cut and fractured a little finger of his right hand. In March a doctor found the cut and fracture healed and Steffan returned to work April 7, which was the 91st day after he was injured. On April 9 the doctor made examination and declared he found a 25 percent limitation in the hand.

Steffan notified the company April 6 that he was injured and requested a claim blank, receiving the form April 13 and executing it that same day in his own handwriting. It was shown he also wrote two letters in longhand, the company arguing that his excellent penmanship indicated the injuries had passed away.

Steffan asked no claim on account of disability after 90 days from accident. The judgment was rendered at the rate of $50 a month for the 90 days. The appellate court finds the record shows Steffan was not totally and permanently disabled. The court admits the policy does not mean the plaintiff should be completely helpless, but states it does mean total inability to perform manual labor to an extent necessary to entitled him to receive earnings.

Two Arguments Cited

The court finds two facts negative—the idea of Steffan's total and permanent disability: One, his return to his usual labor following the expiration of the 90 days, and second, the excellence of his handwriting. An important point also is that the disability was not present when plaintiff presented his claim and therefore there could be no presumption of permanency.

Two cases were cited showing that even if the plaintiff has been proved totally and permanently disabled there would be no liability imposed on the company prior to receipt of the proof of total and permanent disability. Bull, Lytton & Olson, Chicago insurance lawyers, represented the Bankers Life.

Would Emphasize Strength

A committee consisting of R. C. White, Franklin Life; Miss Chlo Peterson, Business Men's Assurance, and Leroy Cushman, Massachusetts Mutual, has been appointed by K. H. Mathus, vice president of the insurance advertising conference and chairman of its life group, to devise means whereby the strength of life insurance may best be worked into the advertising copy of all companies, the committee to submit its report at the gathering of the conference in October. Among the suggestions advanced is the adoption of a slogan to be used in a box or special paragraph, and that may also be displayed on letter heads and on printed matter generally.

Fidelity Mutual Convention

The Leaders Club convention of the Fidelity Mutual Life will be held next week at Hot Springs, Va. President Talbot of the company will give the welcome and some of the speakers will be E. M. Horn, Harrisburg; T. M. Green, Baltimore; S. H. Gettis, Washington, D. C.; R. N. Waddell, Pittsburgh; E. H. Schaeffer, Harrisburg; J. O. Jensen, Philadelphia; Carroll H. Jones, Columbia, S. C. There will be sales demonstrations on some of the policies. F. H. Sykes, vice-president, will open the convention.

Ryan on Vacation Tour

Richard A. Ryan, vice-president of the Western & Southern Life, and Mrs. Ryan left Tuesday for Toronto where they will sail up the St. Lawrence to Montreal and Quebec, returning Sept. 14 via Boston and New York.

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LIFE INSURANCE EDITION

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E. F. SMALLWOOD, Resident Manager

DETROIT OFFICE
1015 Transportation Bldg., Tel. Randolph 3994
A. J. EDWARDS, Resident Manager

SOUTHEASTERN OFFICE—ATLANTA, GA.
204 Atlanta National Bank Building
W. J. BATH, Resident Manager

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Cooperative Action Needed

NEVER has there been a time when the life insurance agency system has had such great responsibilities placed upon it as now. In the old days, before the Armstrong investigation, the average agent was given no renewal commissions and he had little interest in what became of the business after it was written. Today, the agent has a very large vested interest in the conservation of the business. He is learning that he does not draw his renewals merely as a reward or payment for having written it in the first place. The first year's commission paid for that, but too many agents have assumed that renewals were simply a deferred payment of first year's commissions. There can be no justification for that point of view and if it were maintained the time would come when renewals would be done away with. But under the wise renewal system the agent builds up for himself an established business lasting over a period of years. He is a business man, just as much interested in the good condition of his business and its continuance as is any other independent business man. In times like these, if his business lapses, his income is swept away. Therefore, it is up to him to make unusual effort to hold his business and income intact as far as possible.

Many agents complain of the amount of work they have to do for which they say they receive nothing, in arranging loans, accommodating customers, and generally helping them solve their financial problems. But this is exactly what they are paid to do. The agent does not draw his renewals as a pension for which he is expected to give nothing. He is supposed to earn them. Most good life men pride themselves on the intelligent service they give their patrons; they claim to be estate analysts, advisers, counselors, etc. If in the present times an agent feels he is giving too much time to his old policyholders in servicing their contracts he must remember that in easier times he had to give them comparatively little attention. He is just like any other business man who has many good steady customers that only occasionally call on him for some special service, which of course he is glad to give in view of the long period of patronage he has enjoyed from them. And if he is a good business man he gives this service cheerfully and intelligently with the usual result that his fame spreads and other customers come to him. Most large assured select the men with whom they place their business with a view to their qualifications for giving this service, that as a man selects his doctor, dentist or lawyer. If the agent balks at giving service, or twists it about in such a way that he may make more commissions for himself, he will soon lose caste and his patrons will fall away from him.

A very good instance of this is in the restoration of policies. The agent who looks upon his renewal commissions as an honorarium is very insistent upon his receiving full commission in case he rewrites a policyholder who has lapsed because he cannot pay his loan. The agent at once sees in this an opportunity for another commission on business which has already been paid for and the rewriting of which is merely a service proposition. It is true the agent will argue that in taking the new policy the assured received no reduction in his premiums and he might as well have the commission, but as a matter of fact whatever expense is saved in a participating company goes into the dividend fund and is eventually returned to the policyholders and in a nonparticipating company in the long run lower rates will prevail. It is true that some companies are making allowances to the agents and giving them half commission on the rewritten case and in some cases even the whole commission is allowed but it is a question whether this is good and sound practice for the company and for the life insurance business as a whole, which is already burdened with a heavy expense. Some compromise arrangement may be justifiable as a matter of practice but in theory at least the whole thing should be covered by the renewal commission. If it is not, the system of renewal commissions will be undermined and when all is said and done the renewal system is the one thing that makes the life insurance business a good business for the agent.

Probably one policy in five is today carrying a loan and if general business does not improve a large percentage of these cases will have to be rewritten on some basis or other. The time has come when restoration looms up as one of the big problems of the business. It should be approached and handled scientifically and systematically and if possible by common action of all the companies. If some regulation is not adopted twisting will become the order of the day because the agent may either place the new policy with some other company as a broker and thus receive full commission or it may be written by an agent of another company who will receive the full commission and thus the policyholder will pay two acquisition costs for what is virtually the same insurance.

These are problems which the companies should take up and solve in an equitable manner, as much as possible by cooperative action.

PERSONAL SIDE OF BUSINESS

Rev. W. R. Harrison, 80, retired Methodist minister, five of whose sons are prominent in life insurance, died at Little Rock after a brief illness. The sons are H. T. Harrison, formerly general counsel of the Home companies of Little Rock; G. C. Harrison, Seattle, and James J. Harrison, Little Rock, both general agents of the Union Central Life; W. R. Harrison, Jr., Atlanta, general agent Connecticut Mutual Life, and Kenneth Harrison, who is associated with James J. Harrison at Little Rock.

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Karl Stegemeier, with the New England Mutual in Indianapolis, has been appointed extension instructor in life insurance fundamentals for the Indianapolis classes of Indiana University. Mr. Stegemeier holds a master's degree in business administration from Harvard. His course will deal with the economic aspects of life insurance, its services and forms.

—

Miss M. O. Tinkham, secretary to Arthur S. Holman, manager of the Travelers in San Francisco, is enjoying her annual vacation. Those who attended the recent convention of the National Association of Life Underwriters will remember Miss Tinkham, who was much in evidence, answering questions and caring for much of the detail work of the meeting as well as for the comfort of the delegates.

—

H. K. Lindsley, president of the Farmers & Bankers Life of Wichita, as a member of the tenth Federal Reserve board, sat in at President Hoover's conference of business leaders in Washington last Friday.

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In addition to his regular duties as associate advertising manager of the Prudential at the home office in Newark, **Frank J. Price, Jr.,** is publicity director of the campaign of Senator Barbour in New Jersey. Four years ago Mr. Price assisted in the Republican campaign.

—

Governor White of Ohio has appointed President **C. F. Williams** of the Western & Southern Life head of a state committee to study the Ohio farm situation. The group is to investigate mortgage and tax delinquencies and ways and means of preventing foreclosures.

—

Charles Lamme, Jr., who has been appointed manager of the Kansas-Missouri department of the Reliance Life, is a native of Hiawatha, Kan. He entered a local bank there and while he was in that line took up a rate book for life insurance, devoting part time to it. He resigned from the bank in 1918 to become district agent of the Northwestern Mutual Life at Hiawatha. In 1925 he was transferred to Atchison and in 1930 went to Kansas City. He has been 14 years district agent of that company. He will make his headquarters in the Fidelity Bank building in Kansas City, Mo.

—

David Wangersheim, a vice-president of W. A. Alexander & Co. of Chicago, dropped dead in his office Monday of heart disease at the age of 67. He had been with the W. A. Alexander & Co. organization for 25 years, before that having been teller of the old Hibernian bank and later with the Continental bank, writing insurance on a part time basis at the same time. He was one of the leading accident and health producers in the W. A. Alexander & Co. office, which is general agent for the Penn Mutual and Fidelity & Casualty.

—

Gustave I. Toevs, 68, former chairman of the board of the National Union Life, died at his home in Spokane, Wash., after an apoplectic stroke.

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Ralph A. Trubey, manager of the Guardian Life at Fargo, N. D., has been appointed general chairman of the community chest drive there.

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Henry Garic, New Orleans general agent for the Massachusetts Mutual Life, who was struck by lightning several weeks ago on the golf links, is out again and seems no worse for his experience save for a bad thumb. The thumb was nearly severed by the bolt, but now is growing back nicely.

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D. A. Walderon, representing the Southwestern Life at Houston, Tex., died in a hospital there as a result of injuries received in an automobile accident. Mrs. Walderon, who was driving the car, was not injured seriously.

—

Mr. and Mrs. **M. G. Huber** of Madison, Wis., announce the birth of their first son, Mortimer George, Jr. Mr. Huber is supervisor for the southwestern Wisconsin division of the A. E. Mielenz general agency of the Aetna Life.

—

The Democratic candidate for lieutenant-governor of Ohio is Charles Sawyer of Cincinnati, a director of the **Union Central Life** and chairman of its investment committee. A member of the law firm of Dinsmore, Shohl & Sawyer, legal counsel for the Union Central, he has been a director since January, 1929. Early this year he was named chairman of the investment committee.

—

Hyndman & Co. of Charlottetown, Prince Edward Island, in August celebrated its 25th anniversary as representative of the **Great West Life** in that province. At the same time the firm celebrated its 60th anniversary, it hav-

ing been established in 1872. Originally it started to handle marine insurance. Later it developed into a large general agency handling all lines. For the past 30 years J. O. Hyndman has been its guiding star. F. Walter Hyndman is assistant manager.

Meldrum Gray of Columbus, O., general agent of the Northwestern National Life, is at Roswell, N. M., where he has been recovering from a serious injury in an automobile accident in which he was involved in that state some weeks ago. He expects to get back to Columbus the middle of the month.

Mrs. Gertrude Dalton Thorp, wife of **Abner Thorp, Jr.,** editor and manager of the "Diamond Life Bulletins," published by THE NATIONAL UNDERWRITER, died at her home in Cincinnati Thursday night of last week following an illness of several months. Mrs. Thorp was an attractive and brilliant woman and took a prominent part in the musical and artistic life of Cincinnati. She was an accomplished pianist and also had dramatic ability. She took part in many programs of the Cincinnati MacDowell Society and many enterprises of the Little Theater. At various times she appeared with the Stuart Walker Company in its productions. She was a charter member of the Matinee Musical Club and the Women's Musical Club. Her passing will be a distinct loss to the local musical and dramatic circles of Cincinnati.

Mr. Thorp, whose tastes and inclinations were very similar to those of Mrs. Thorp, resulting in a beautiful companionship now broken, has the sympathy of a wide circle of friends in the life insurance world and of his associates in THE NATIONAL UNDERWRITER organization, by whom he is much beloved.

Mrs. Thorp's funeral was held Monday morning at the Walnut Hills Presbyterian Church and was attended by a delegation of the Cincinnati Life Underwriters Association.

J. P. Robinson, superintendent of agencies for the southern department of the West Coast Life, with headquarters in Dallas and Oklahoma City, spent two weeks in San Francisco, attending a rally of his company, attending the convention of the National Association of Life Underwriters, and consulting with Vice-president Gordon Thomson and other officials of his company. Thirteen men in Mr. Robinson's jurisdiction qualified for the West Coast convention and were able to attend the National association meeting.

NEWS OF THE COMPANIES

All-States Life Makes Loan

Uses Finance Corporation Funds to Retire Indebtedness Incurred in Fidelity Life Purchase

The All-States Life of Montgomery, Ala, which received a loan of $125,000 from the Reconstruction Finance Corporation, used it to take up its loan that it secured in buying the business of the Fidelity Life of Birmingham. The entire purchase price was $179,530. The All-States secured $250,000 of assets. Rather than sacrifice good government bonds at prices that did not represent their value, the Fidelity purchase price was borrowed from banks at Montgomery and Atlanta. The rate charged was 6 percent. The banks were willing to renew the loan, but the All-States secured the loan from the Reconstruction Finance Corporation at 5½ percent. President Ben W. Lacy of the All-States states that the company has not found it necessary to borrow money for the conduct of its own business.

Explain New Manual Provisions

Branch managers and general agents of the Ohio State Life from half a dozen states met at the home office in Columbus, O., to hear President U. S. Brandt and Frank L. Barnes, agency vice-president, explain the provisions of the new manual. Announcement was made that Fred W. Hoch, Marion, O., has become a member of the Ohio State Life $100,000 Club for his 15th consecutive year.

Rogers Heads Farm Loan Division

Glenn E. Rogers, farm mortgage specialist, has been appointed manager of the farm loan division of the Metropolitan Life, to succeed the late F. L. Bashore, who died Aug. 7. Since May, 1924, Mr. Rogers has been assistant manager.

Indiana Action Deferred

The Kentucky Home Life has applied for admission to Indiana. Commissioner Kidd met representatives of the company in his office Monday and at the conclusion of the interview stated that he would defer action on the application until the Indiana court having jurisdiction in the ancillary receivership of the Inter-Southern Life has passed on the reinsurance contract of the Kentucky Home Life for the business of the Inter-Southern. If the court approves of the contract, he said he sees no reason why the company should not be admitted to Indiana. It is expected the court will rule on the reinsurance contract early in September.

Morrissett Handles Accident End

I. A. Morrissett, president of the Union National Life whose executive office is at Charleston, W. Va., has relinquished his salary as president and has taken over the accident department on an agency basis. The National Agency Company has been incorporated by Mr. Morrissett and his associates and is located at the old head office in Dayton, O. The entire accident department is operated in Dayton, while the life department headquarters are in Charleston, W. Va. Mr. Morrissett is now located at Dayton.

New York Life Figures

In a recent issue from the Georgia insurance department showing the semi-annual statement of the New York Life, the general surplus was given as $403,659,479. In the filing in the Georgia department this item should be "amount of all other reserves." The policy claims are $3,720,177, the premium reserve $1,505,300,000 and total liabilities $1,912,679,656.

F. C. Crowell Resigns

F. C. Crowell, agency director for the Surety Life of Kansas City for about a year, has resigned.

Annuity Payments Last Year

The New York department in its annual report shows that there were 41 companies licensed in the state which had in force last year 203,897 annuities involving payments during 1931 amounting to $149,046,692.

Liberalize Non-Medical

Further liberalization of rules governing the writing of non-medical business has been announced by the Pilot Life, Greensboro, granting the non-medical privilege up to $5,000 to full-time agents with 12 months consecutive service who have delivered at least $50,000 new business the previous 12 months and have maintained a persistence ratio on the preceding 12 months' business of 70 percent of either policies renewed or volume renewed. After 12 months' service, the privilege is automatically extended to agents who qualify.

LIFE AGENCY CHANGES

"Tom" Murrell Migrates East

Life Manager for James & Co. of Chicago Joins Connecticut General in New York

Thomas G. Murrell, life insurance manager for Fred S. James & Co. of Chicago since 1929, will establish a

THOMAS G. MURRELL

branch office for the Connecticut General Life in New York City owing to the expansion of that company's activities in the metropolitan area. It will be a new office in addition to the present one in the city.

Mr. Murrell started his life insurance career with the Travelers at Baltimore, where during his first ten weeks he averaged 33 calls a day and on a cold canvass wrote $7,900 in premiums. Later he served the company in a managerial capacity at Hartford, Waterbury, Boston and New Haven. He was born in Bedford County, Va., in 1899, and received an appointment to the naval academy at Annapolis. During the war he served at Annapolis and with the Atlantic fleet. He graduated from Annapolis in 1920, spending five years in the navy.

He has been active in the C. L. U. classes in Chicago and took charge of the educational work of the class for a year or so. He also is prominent in the Chicago Life Underwriters Association, being a director and having been appointed chairman of the committee on publicity for the National association convention in 1933. He was the first president of the Chicago C. L .U. chapter.

R. G. Dillon

R. G. Dillon has succeeded his father, M. J. Dillon, as general agent in St. Paul for the Pacific Mutual Life. The elder Dillon has been general agent for 20 years. His son has been associated with him in recent years.

Lloyd E. Douglass

Charles A. Macauley, Michigan state agent of the John Hancock Mutual Life, has appointed Lloyd E. Douglass agency supervisor in charge of the field force in Michigan. Mr. Douglass recently resigned as manager of the Life of Virginia at Detroit. He has had valuable experience in field work with the Equitable of Iowa, Register Life and the Metropolitan. He is now secretary of the Associated Life General Agents & Managers of Detroit.

L. O. V. Everhard

L. O. V. Everhard, who was formerly in the life insurance business in Chicago as an agent and company executive, has been appointed district manager for the Guarantee Mutual Life in Chicago under Sam B. Starrett, Jr., general manager.

Nathan Benedict

Nathan Benedict, Philadelphia general agent for the Continental Life of St. Louis, has terminated his connection with that company after five years of successful service. He has made no definite plans for the future, but probably will remain in the life insurance business.

Detroit Life Appointments

The Detroit Life has appointed three new general agents in Michigan: John Graves in Kalamazoo, Charles J. Chapman in Jackson and Charles E. Miller, formerly with the John Hancock and Mutual Benefit, in Flint.

C. F. Atkinson

C. F. Atkinson has been appointed associate general agent at San Diego, Cal., of the State Mutual Life under Roy Ray Roberts, general agent at Los Angeles. Mr. Atkinson was district manager at San Diego for the Northwestern Mutual Life for several years.

Frank L. Shapiro

Frank L. Shapiro, a former assistant manager of the Metropolitan in downtown Chicago, has been appointed general agent of the Mutual Trust Life in Chicago, and has opened a new West Town agency in the West Town Bank building, 2400 West Madison street. Mr. Shapiro has made a good start, with a number of agents, and has done considerable personal business as well. This makes a full set of outlying general agencies for the Mutual Trust in Chicago, with one agency in each of the business centers outside the "loop" and two within the "loop," the La Salle street and home office agencies.

The National Life of Vermont has appointed **George W. Schmitz**, Manitowoc, Wis., district manager for Manitowoc and Calumet counties.

LIFE COMPANY CONVENTIONS

Minnesota Mutual Meeting

General Agents of Eastern Division Gather in South Carolina, Increase 1932 Allotments

Upwards of 50 Minnesota Mutual general agents from the eastern division under A. H. Blanton, superintendent of agencies, and their wives attended a meeting held at the yacht club on Myrtle beach, South Carolina. E. F. Brooks, general agent at Florence, S. C., was host. The home office was represented by President T. A. Phillips and Vice-president H. J. Cummings. Mornings and afternoons were devoted to business, which has far exceeded even the expectations of representatives in the division. Evenings were given over to social activities.

The meeting was known as the "President's House-party," and was a family gathering. The general agents voluntarily increased their allotments for the balance of the year. Those who have

not heretofore made use of the organized selling plan, which has proved a success in all agencies where it has been tried, were sold on the idea and are nearly 100 percent boosters of the plan.

Philadelphia Life Agents Go on Cruise to Bermuda

The 68 members of the Philadelphia Life Convention Club that sailed for Bermuda Saturday on the "Monarch" will be two days in Bermuda and two days each way on the water. Samuel Bernstein of Philadelphia is president of the club, Alexander Rosen of Philadelphia first vice-president, and I. D. Elmore of Sumter, S. C., second vice-president. E. R. Hurst, director of agency service, presided at the first session with President Maloney giving the welcome address. The three leading agencies of the club are the Edmonds agency of Danville, Pa.; the R. H. Beard agency of Chicago, and the J. A. Wilson agency of Philadelphia. The Finkelstein agency of St. Paul won the president's month campaign contest being carried on in June. The Wilson agency of Philadelphia was second. Mr. Hurst in a talk stated that the new life adjustment policy which was announced on June 1, was proving very attractive. He explained the new income policy which will be ready the latter part of September.

AS SEEN FROM CHICAGO

SPECIAL ILLINOIS ASSEMBLY

The special session of the Illinois legislature will start Sept. 6, principally to consider a sales tax. However, there is strong possibility several insurance bills will be filed, especially one affecting surety. The regular session will start in January when there is every likelihood that a bill to authorize formation of a state workmen's compensation rating bureau will be introduced. This measure has been completely rewritten since it was unsuccessful in the legislature in 1929.

* * *

ROY DAVIS' GARDEN PARTY

Roy L. Davis, assistant Chicago manager of the Union Central Life and vice-president of the Chicago Life Underwriters Association, gave a lawn dinner to the officers, committee chairmen, board of directors and other prominent members of the organization at his home in Evanston, Ill. Tables were arranged in the yard amid the artistic surroundings of the Davis lawn. President John R. Hastie was buttressed by Second Vice-President P. G. Dallwig, New England Mutual, and Executive Secretary Walt Tower. Among the committee chairmen present were A. E. Patterson, Penn Mutual; E. B. Thurman, New England Mutual; T. G. Murrell, Fred S. James & Co. Two trust company officials were present. Mr. Davis provided various forms of entertainment. There were about 25 men present.

* * *

OLD COLONY HEARING SEPT. 1

The so-called Stengel suit in Chicago of several policyholders for appointment of a receiver for the Old Colony Life, to have been heard Aug. 26, was postponed to Sept. 1 by Superior Court Judge Hall on request of counsel for the company. George D. Kimball, One La Salle street, is attorney for the policyholders, who claim inability to get their cash and loan values.

* * *

ESCROW AGREEMENT WORKS

There has been much talk recently of this or that company being slow to pay cash or loan values. The vast majority of this is pernicious chatter which can do no good, and in fact may have been started by some "sharpshooter" with the definite idea of causing harm. Even several of the great eastern companies have been mentioned. Only last week two of these were rumored to have exercised the 60-day clause in their policies to relieve cash and loan demands for that period. A checkup shows the information completely wrong.

However, there have been a few companies which have exercised the privilege of withholding such funds for 60 days, and a few which have gone much farther under financial stress and delayed payment long after the waiting period expired. Apropos of this infrequent practice by the very few life companies which are sorely beset, and whose action thus is understandable, if not excusable, a clever and reasonable solution of the difficulty, both from the standpoint of company and policyholder was evolved by an attorney representing a Chicago life man who had a client who had been demanding his $2,570 cash value more than the two months required under the 60 day clause.

The life man managed unaided to get $1,000 out of the company, but that was as far as he could go. The attorney conferred, cajoled and finally frankly threatened suit for a receiver. Then he proposed the company place collateral in escrow with a bank to cover the remainder of $1,570 due. This was done, the provision being that regular monthly cash payments of a set sum be paid by the company to the bank on a fixed due date, with only five days grace. Failure to make any payment would empower the bank to turn over the collateral and cash accumulation to the policyholder. The company has been most careful to make the payments. It is explained that in case of a receivership the collateral and cash accumulation could not be secured by the receiver as a part of the company's assets, as the agreement would antedate the failure, and the retroactive principle is contrary to law. Therefore the policyholder is protected in every direction and the company does not have to sell collateral on a depressed market to satisfy such claims. The companies holding back on paying loans and surrenders are quite few.

* * *

HINTZPETER'S PROGRESS STEADY

The H. C. Hintzpeter agency of the Mutual Life of New York in Chicago has made a remarkably fine record this year, showing increased paid business in January, February, March, April and August, the three other months showing a slight decrease in line with general experience in that period. The August record was excellent, the agency paying for $100,000 more than in August, 1931. The agency is now conducting its "summer academy," headed by C. A. Stone, who has been with the company 42 years, assisted by H. A. Deadman, also a veteran agent. The Hintzpeter agency makes a practice every summer of running an informal educational course in regular Monday meetings every week, one of the agents taking direction for a month and then being succeeded by another. The attendance has been large throughout the summer, running between 75 and 100 agents.

* * *

CHARLES WILSON STILL MYSTERY

There is still much mystery as to the identity of Charles Wilson who is promoting what is called the Insurance Policyholders National Protective Association whose statements are broadcast every Friday evening from 5:45 to 6. Numerous efforts have been made to find out from the Chicago Federation of Labor the identity of Wilson, but no illuminating information is given. Wilson does not appear at the station but his statements are read. He makes attacks on the Illinois insurance department and seems to cast aspersions on stock companies. It was reported that

the mutual fire and casualty companies were back of the broadcast, but A. V. Gruhn, manager of the American Mutual Alliance, denies positively that his group has anything to do with it. Mr. Gruhn stated that if the American Mutual Alliance group had anything to broadcast it would be done in a dignified and open manner and there would be no mystery about it. In the broadcast listeners are requested to seek insurance information and learn the standing of any company in which they are interested.

IN THE SOUTH AND SOUTHWEST

Robertson Law Not Included

Author of Modification Bill Thinks Call for Session Doesn't Cover It—Won't Introduce Measure

AUSTIN, TEX., Sept. 1.—There seems to be some doubt whether a bill for modification or repeal of the Robertson law will be introduced at the special session of the Texas legislature, which convened Tuesday. Representative Anderson of San Antonio, who introduced a bill at the last session for modification of the law, announced Monday that he would not offer any bill to modify or in any way to change the law, which requires life companies to invest 75 percent of their reserves on Texas business in Texas securities.

Not Governor's Intention

"I do not believe that the governor intended to submit the subject of modification or repeal of the Robertson law to the legislature," Mr. Anderson said. "I think the subjects he submitted confine the legislature to consideration of amendments to laws governing the investments of life insurance companies and of building and loan associations, so as to allow them to make the necessary investments in the stock of the federal home loan banks. The laws which the governor desires to be enacted only enlarge the scope of the investment feature of the life insurance companies, and for that reason I will not offer a bill to change the Robertson law. I may introduce one in the regular session next January."

Vaughn Is General Manager of Republic Life of Dallas

John G. Vaughn, for some time deputy life insurance commissioner of Texas, and recently in charge of the examination work for the department, has resigned effective Sept. 5, to become general manager of the Republic Life of Dallas. In his new position Mr. Vaughn will be associated with E. H. Banta, executive vice-president, and will devote his time to managerial work. He has been in the insurance work for 20 years.

McCahan at Fort Worth

Dr. David McCahan, secretary and assistant dean of the American College of Life Underwriters, addressed a group of 25 students at Fort Worth, Tex., who have taken up the four-year C. L. U. course.

He also gave an address which was attended by the members of the Fort Worth Association of Life Underwriters, insurance men generally and the public, explaining the work of the American College.

Tax Suit Under Advisement

OKLAHOMA CITY, Sept. 1.—The suit of the Mid-Continent Life and Atlas Life to test the action of the state tax commission in requiring reports on income of all kinds has been taken under advisement by the district court here.

The companies contend that under the law by paying the tax on premium income they are exempt from other taxes. The state commission holds, however, that in addition to the premium income they should make report on all income of whatever kind.

Burial Society Bill Advanced

Alabama House Committee Approves Measure Removing Adequate Department Supervision of Funeral Outfits

A very liberal burial society measure has been approved by the insurance committee of the Alabama house by a vote of 15 to 3. It is now on the house calendar for final action this week. Superintendent C. C. Greer and his deputy, F. M. Phillippi, appeared before the committee in violent opposition to the measure but without results. Mr. Greer has pronounced the bill "most vicious."

An unusual feature of the bill says that the superintendent of insurance "shall issue a license to any company that complies with the provisions of this act," and "his willful failure or refusal to issue such license shall be the commission of a misdemeanor for which, upon conviction, he shall be punished by a fine of not less than $500, and shall be liable, in damages to such company, for all damages which it may sustain by his wrongful refusal to issue such license."

Mr. Greer declared that if the bill becomes a law two sections of it "will specifically remove burial insurance companies from the wholesome provisions of the general insurance laws, which are appropriate, and which are not now in conflict with specific provisions of the present mutual aid and burial insurance laws governing such companies."

Some time ago Mr. Greer required burial companies to get on an adequate rate basis and early this year he refused to re-license some of these companies because of their financial showing. At least two of these cases resulted in court litigation.

News of Pacific Coast States

Passes on Loan Restriction

Attorney-General of Washington Declares Bank Deposits by Companies Are Not Applicable

Since checking deposits in a bank have been held by the Washington supreme court not to be a loan or investment, such deposits by domestic insurance companies are not subject to statutory limitation that no investment or loan shall exceed 10 percent of a company's capital and surplus, according to a ruling of the attorney-general's department. Commissioner Fishback stated that he asked the attorney-general if the Washington law limiting investments or loans would apply to a company depositing in any one bank in amount greater than 10 percent of its capital and surplus. The department said that under the holding of the state supreme court the statute would not apply to checking deposits. On the other hand, the attorney-general said that the court has considered time certificates of deposit as loans.

J. H. Harrop of Salt Lake City, tri-state manager for the Equitable Life of New York, has been chosen chairman of the insurance committee of the Salt Lake chamber of commerce.

ACCIDENT AND HEALTH FIELD

Missouri State Life Changes

General Revision of Accident and Health Policy Forms Announced by St. Louis Company

The Missouri State Life has made a number of important changes in its accident and health policies, effective Sept. 1, including new classification of risks; all health premiums to increase at age 50; death benefit premiums increase on D class risks at age 55 instead of 60; limit of death benefit on any one risk is now $30,000 instead of $37,500; best forms of accident policies may be issued to women classified as A, B, C and D. The railroad section has been omitted from the manual.

The "pennant" accident and disability policies will no longer be issued to classes A, B, C and D. Policy forms withdrawn include "ace quadruple" accident forms, "unexcelled" life, limb and sight policy, "universal" disability policy and "Moslic" disability policy. Partial disability is now 40 percent of amount payable for single total disability—26 weeks' limit. Disability may begin within 20 days from date of accident instead of immediately and continuously following the injury.

J. E. Powell, Vice-President of Managers' Association

MADISON, WIS., Sept. 1.—E. H. Mueller, state manager for the Provident Life & Accident and president of the National Association of Accident & Health Managers, has appointed James E. Powell, manager of the accident department of the Provident L. & A. at the home office, as regional vice-president of the National association for the south central states.

President Mueller has also appointed two of the standing committees of the National association, as follows:

Resolutions—Homer Bisch, National Casualty, Toledo, O., chairman; G. H. Knight, Federal Life & Casualty, Cleveland; Fred Burgoyne, Union Indemnity, New York City, and Harry M. Apple, Aetna Life, Philadelphia.

Educational—E. C. Budlong, vice-president Federal Life, Chicago, chairman; George Brown, Continental Casualty, Detroit, and R. E. Richman, The National Underwriter, Cincinnati.

Mr. Mueller has just returned from a three weeks vacation trip during which he visited Quebec, Montreal and Toronto. On his way to Canada he visited members of the association group at Detroit, and returning he called on members at Toledo.

Quits Monthly Premium Field

The Pacific Mutual Life is retiring from the monthly premium accident and health business. A. J. Gottschalk, home office manager of the monthly premium accident and health division, says:

"Our company is retiring from monthly premium business, not reinsuring in any company. Our general agents of the monthly premium division are now contracting with other companies, with which they will place their business at the expiration of the Pacific Mutual policies."

GENERAL AGENCY NEWS

Cincinnati Branch Is Closed

Northwestern National Consolidates Business With Two Other Agencies There

The branch office of the Northwestern National Life in Cincinnati, which has been under the management of J. B. Keena for six years, has been discontinued and the agency has been consolidated with the two other general agencies there, W. E. Lord Co. and Albert W. Shell & Co.. The Lord agency has successfully represented the Northwestern National three and a half years, producing approximately $1,500,000 in 1931. Albert W. Shell & Co., one of the leading general insurance agencies of the city, was appointed in May.

St. Louis Men Leaders

Roger E. Lord, an agent for the Massachusetts Mutual Life in St. Louis, led all the agents of the company in production of new business the first seven months of this year. William Van Sickler of St. Louis ranked third. The St. Louis agency was third among the 76 agencies of the company, being surpassed only by two agencies in New York City. Chester O. Fischer is general agent in St. Louis.

Shows 10 Percent Gain

The written business of the Detroit branch of the Great West Life is 10 percent ahead of last year, which was 25 percent ahead of 1930, says Thomas S. Coleman, Michigan manager. Indications are that the last four months' total will equal that of the preceding eight months, he said.

Policy Loan Repayments

The New England Mutual Life states that policy loan repayments show a fine increase this year in comparison with former years. During the first six months repayments were 20 percent higher than in the same period of 1931 and 80 percent than the first half of 1930.

New Indiana 1932 Handbook Is of Particular Interest

The 1932 Underwriters Handbook of Indiana is just off the press. It gives complete and up-to-date "line-up" of the state from the insurance angle—agencies, companies, adjusters, field men, general agents, attorneys, organizations, statistics, etc. Of particular importance in this book are the figures for 1931 of fire, casualty and life companies operating in the state. These have been secured in advance of the publication of the state insurance report through the courtesy of the insurance department and are shown together with the figures for the past six years, giving an interesting exhibit of the growth of insurance in Indiana.

The agency data reflects the trend of the times, showing the numerous changes which have taken place during the past 12 months and the effects of the new law in Indiana requiring an agent to show a receipt for his poll tax before his license is issued. This handbook is issued by The National Underwriter.

"Meeting Objections," by John A. Stevenson, gives the answers to a large majority of the many objections which the prospect raises, and shows how to convert these objections into selling arguments. Price, $1.50. Order from The National Underwriter.

Issue Arises Over Provisions Putting a Policy in Effect

The United States circuit court of appeals, 8th circuit, Nebraska, McCreary vs. New York Life takes up a double indemnity case. On Jan. 31, 1929, Mary McCreary, daughter of plaintiff, was solicited to take out insurance. The applicant gave the agent a note payable to his order for amount of the first premium. This was forwarded by the agent with the application at noon the same day. Later in the day, at the solicitation of the agent, applicant undertook to effect temporary insurance to become effective immediately. She did not have the cash to pay the premium but at the suggestion of the agent she gave him a second promissory note payable to his order, which was on that day discounted by the agent, who obtained from it more than enough cash to pay the net premium to the company. On the same afternoon the applicant took the examination, which was later approved by the company. She left on an automobile trip. The policy was issued by the company and mailed to its branch for delivery but was not delivered. It was dated Jan. 15. She met with an automobile accident and died Feb. 4.

Questions in the Case

The agent represented that the contract would be in force from the time of payment of the premium. No receipt or policy was delivered and she did not sign the declaration in the application to the effect that she had paid the first premium. The trial court instructed the jury to return a verdict in favor of the plaintiff for $4,000 with interest. The questions presented may be stated: (1) Was the premium paid the agent in cash? (2) Were the requirements for the issuance of a receipt by the agent and the signing of a declaration by the applicant in the nature of conditions precedent to a contract of immediate insurance? (3) If so, could the agent waive these conditions?

Holding of the Higher Court

The higher court held that where the proceeds received by the agent on negotiation of a note payable to him individually are sufficient to pay the net to the company, the premium to all intents and purposes is actually paid in cash. To entitle the applicant to immediate insurance it was incumbent upon her to pay the premium in cash, to receive from the agent a receipt on form attached to application and sign a declaration attached to the application. These provisions were all set out in the application signed by the applicant. Therefore she was charged with notice and knowledge and they were in the nature of conditions precedent. The court says that the terms on which the company agreed to become immediately liable had not been accepted nor complied with. Submission of the application with the declaration unsigned indicated that no immediate contract had been effected. It is contended that the conditions were waived because of the acts and knowledge of the agent. However, in the application there are names of officials plainly stated, who can waive any of the rights or requirements. Judgment was reversed.

Income Taxation of Funded Trusts

The Continental Assurance of Chicago in its agents' bulletin calls attention to the fact that last year $1,200,000,000 of life insurance was left by grantors in the possession of trustees to be held during the grantor's lifetime, to collect the proceeds at death, and to hold them in trust for designated beneficiaries pursuant to trust agreements. Of this amount, a large portion represented funded life insurance trusts by which the grantor also deposited with the trustee cash or securities to yield an income with which to pay premiums on the policies. Speaking further on this subject, it said:

Federal Income Tax

"These grantors do not have to concern themselves with the matter of inheritance taxes, for such taxes, if any are due, accrue but once upon the grantor's death. But how about the federal income tax which must be paid from year to year? Is the tax on income from the cash or securities deposited to be paid by the grantor, the trustee, or beneficiary?

"Under the federal revenue act of 1928 and the federal regulations promulgated in 1929, income from insurance trusts not applied to the payment of premiums is taxable just as income from ordinary trusts. The grantor must pay the income tax if the trust is revocable during the taxable year, or if any part of the income may in his discretion be distributed or accumulated for future distribution to himself. The trustee must pay the income tax if the income is to be accumulated or held for future distribution to the beneficiaries. The beneficiary must pay the tax if the income for the taxable year is to be distributed to the beneficiary.

"Income from a funded life insurance trust which is applied under the terms of the trust agreement to the payment of premiums on the policies deposited, is taxable either to the grantor or to the trustee depending on (1) whether the trust is revocable or irrevocable, (2) who the insured is, and (3) who the beneficiary is. If the income of the trust is applied to the payment of premiums upon policies on the life of the grantor, the grantor pays the tax. If, however, the trust is irrevocable, and the insured is a person other than the grantor, and no income is distributable to the grantor, the trustee pays the income tax.

"The transfer of the burden of paying income taxes from the grantor to the trustee may be another reason why the amount of policies placed under trust agreements in 1929 represented an increase of 71 percent over the amount held in 1928, and an advance of 367 percent over the amount in 1927."

Seven-year Period Waived for Presumption of Death

The seven-year period necessary to raise legal presumption of death is waived, according to the United States circuit court of appeals for the ninth circuit, when an insured, who had been mentally unbalanced for nine years, was not expected to live for more than six months, had attempted suicide and had threatened other attempts, could not be located after diligent search after he had disappeared with only 35 cents in his possession. The case was State Life vs. Sullivan.

The court held that when a person suffering from suicidal mania was left alone that fact amply establishes a specific peril within the meaning of the rule which overcomes the presumption that a person lives seven years after his disappearance if there is some evidence that the person encounters some specific peril or within that period came within the range of some impending or immediate danger that might reasonably be expected to destroy life.

New Underwriting Plans Being Put Into Effect

Underwriters at many home offices of life companies are now applying the rules and methods used by surety companies in arriving at their conclusions as to the financial stability of men or corporations that are seeking bonds. In other words, the life underwriter has before him a financial statement compiled in a rather comprehensive way, not only of the person applying for insurance if he is seeking a considerable amount, but of the concern or business in which he is interested, if he be a partner or hold a large interest. This is a practice that has not been followed before to any extent.

Company Has to Be Persuaded

Agents in the field say that today when it comes to a person applying for a sizable amount of life insurance it is more difficult to convince a company that it should take the insurance than it is to sell the prospect himself. Many agents are inclined to believe that head offices, or at least several of them, are in a panicky state. While a few years ago the production end of a company may have been swinging it by the tail, that is not the case today. The underwriters undoubtedly have the stronger hold and conservatism is the watchword in every life insurance tower. It is fashionable in many home offices to turn down applicants seeking a considerable volume of insurance.

Reasons for Making Change

Men in the field take the position that the pendulum has swung too far in the other direction. They assert that head offices have become almost hysterical in their underwriting policies. As is known, a life company in passing on a risk of any size works out a formula as to how much total insurance a man should carry in comparison with his earnings. Many companies have evolved a strict formula and they abide by it religiously. They contend, and there is much virtue in their argument, that companies wrote too large amounts of insurance for single individuals in the past and did not take into consideration as they should, a man's income, his business relationships, his possible future, his obligations. Furthermore many underwriters adopt now a sort of psychological formula in passing on applicants. In other words they want to measure a man's mental and spiritual reaction to business stress and strain.

Underwriters are endeavoring to seek the monetary value of a life. They want to know what a man is earning in his business. Next, they seek to find out what income he has from investments or interests outside his immediate business. Next, they try to ascertain the value that his associates put on him in his concern. Underwriters, in case of applicants for large amounts, study the financial situation of the concern in which a man is interested if he is a partner or an important factor. With what success is it meeting? Is it being operated at a loss? What is its possible future? Is it heavily obligated with loans or bonded indebtedness? Has it defaulted in its obligations? Is its vitality being gradually sapped?

Study the Status of the Individual

Then they take up the individual himself and ascertain from a physical examination his expectancy and then go into his business status. As is known, many men borrowed money at banks because they were "in the market" or they were buying a larger interest in their concern or in other businesses. They were caught suddenly and had been put under great stress. Companies seek to learn what outstanding obligations a man has and what is the prospect of his meeting these, gradually whittling them down and paying them off. They seek to learn whether his home is encumbered, what personal burdens he has outside of his business. Many an applicant is being turned down today because on inspection he is found to owe more than he can reasonably be expected to meet in the next few years.

Underwriters find that the terrific burden on men has undermined them and several have gone out through the suicide route or they have contracted ailments that have carried them swiftly away. Underwriters fear the effect of large amounts of insurance, either life or accident, in case a man finds his back against the wall and he knows not where to turn. The large policyholders have undoubtedly created havoc. The new school of underwriting is in effect.

It is most difficult today to get what might be called a large case through. Companies are more exacting because of the uncertainty as to when the country will pull out of its now chaotic state. Some cases undoubtedly they would pass, realizing that a man has the capacity and resourcefulness to win if he had the opportunity of getting his feet well planted in the soil within the next couple of years. If, however, the present economic disaster will continue for some years to come, the question then arises as to whether even a man of even heroic mold can pull his business affairs on safe ground. The underwriting policy therefore of most companies is to play safe, to be ultra conservative if necessary and to take few chances.

Benefit of Having a Beneficiary

A number of policyholders undoubtedly defeat the end of their insurance by not so arranging that the policy proceeds follow the channel that is really desired. The Mutual Benefit Life in its house organ, the "Pelican" gives it as its opinion that many policies which are made payable to the estate of the assured should have a stipulated beneficiary. When a policy is paid to the estate probate court action is necessary and the money goes through that channel. This, of course, involves considerable delay as well as expense.

Pendulum Has Taken Wide Swing

The Mutual Benefit Life says:

"Generally speaking, unless there is some reason why the estate should be the beneficiary, it would be well to advise a policyholder to change the beneficiary from the estate to a named beneficiary, pointing out to him the reasons for so doing.

"This is an important point. We wish to urge agents to get in touch with all of their policyholders whose beneficiaries are self or estate, and advise a change to a named beneficiary, unless there is a reason why the insurance should be made payable to the estate, as is the case in some instances.

"We have had a number of cases recently brought to our attention, where the wife had signed claim papers expecting to receive the proceeds of the policy, only to find out that the estate was named as beneficiary. In most cases this meant considerable delay before the family received the money, also court and administration expenses, and in some cases a federal and state tax on the proceeds of the policy, which under the circumstances would have been tax exempt had the proceeds been payable to a named beneficiary."

Executive Shoots Arguments of Policy "Adjuster" Full of Holes

There is a great deal of "adjusting" of policies being done during the depression period by persons actually selling life insurance and by professed "advisers" outside the business, the principal aim in many cases being to earn a new commission or fee, but the argument of many of these specialists, since it presents only one side of the picture, easily can be broken down, E. L. Roberts, vice-president ordinary agency department, American National of Galveston, declares.

Usually the "adjuster" urges his client or prospect to keep the proposal secret, Mr. Roberts said, the principal object of this caution being that no inquiries or investigations could be made until the transaction has been completed and the fee pocketed. The proposals often sound plausible but seldom stand the light of investigation.

Pick Older Policies

The usual set-up, Mr. Roberts said, is a policy in force a long time with a large cash value, and perhaps with a loan. The prospect is advised to surrender the policy for cancellation and buy a new one at much lower rate, and he is shown if he invests the cash value at 5 percent interest and also the difference in premium that he is saving, the income from the investment fund would carry his life insurance.

"He neglects to show you that this immediate improvement in your cash position is obtained only at the expense of a substantial sacrifice later on," Mr. Roberts said. Using figures based on rates of two representative Texas companies, Mr. Roberts illustrates with the case of a man, age 36, who has in force an ordinary life policy bought six years ago at age 30, amount $10,000, premium $171.90, cash value $505.10.

The first suggestion of an "adjuster," Mr. Roberts said, is that the policyholder surrender for the cash value and invest it at 5 or 6 percent compound interest; then buy $9,500 of insurance, thus having total the same as before. The new policy, Mr. Roberts said the adjuster explains, would have a rate of only $140.22, so there will be a "saving" of $31.68, which also could be invested.

"The first flaw in the adjuster's plan is the assumption that you can set up your released cash value and the difference in annual premium outlay in any manner that will guarantee you a return of 5 percent compound interest over a period of years," Mr. Roberts said. "We have never heard of any institution that will guarantee a return of 5 percent compound interest over a period of 30 years or longer, and certainly if there were any such institution, the degree of security behind that investment could in no way compare with the security which protects your life insurance policy.

Policies Not Comparable

He says, however, assuming that a guaranteed return of 5 percent compounded over a period of years could be obtained, the next important flaw in the adjuster's plan is the intimation that for $140.22 premium one can obtain a policy of equal value to the one for which he formerly paid $171.90. The ordinary life policy carries the privilege of continuing protection to age 96, or maturity for cash. The cheaper form is a life expectancy with the protection expiring at age 66 without cash value.

"Assume now that you adopt the adjuster's suggestion," Mr. Roberts said. "It is true that your protection throughout this period is $10,000, just as it was if you had not surrendered your ordinary life policy. The adjuster might even argue that your protection would be gradually increased as your little sums continued to earn compound interest.

Only Accumulation Remains

"But consider your position at age 66. The new policy has now expired without cash value. You are without protection and the only thing you have to show for the transaction is the accumulated cash resulting from the compound interest which you theoretically earned on the released cash value, and the difference in premiums.

"The sum of $505.10 accumulated at 5 percent compound interest for 30 years equals $2,182.03; $31.68 per year for 30 years at 5 percent compound interest equals $2,210. The total of these two sums is $4,392.03. So had you followed the adjuster's suggestion you now find yourself at age 66 with no protection, but $4,392.03 in cash.

Status with Old Policy

"Now had you retained your original ordinary life policy your position age 66 will be as follows: If you wanted to surrender your policy for cash, you have a cash value of $5,430. This is $1,038 more cash than you presumably accumulated under the adjuster's plan. But that's not all. You have the privilege of keeping your $10,000 of protection in force until age 96 by simply continuing to pay the annual premium of $17.90 per $1,000. Assuming another highly improbable conclusion that you would be an insurable risk at age 66, it would cost you somewhere around $80 per $1,000 to buy protection at that age. This is what you would have to pay if you adopted the adjuster's plan in order to have protection of equal value from age 66 to age 96."

Designations of Beneficiary

The Phoenix Mutual Life in its question and answer department gives the following warning on beneficiary designation:

Question—An insured has a policy payable to his wife, if living at his death, and if not then living, in equal shares to such of his children as are then living, but if none, to his executor, administrator, or assignee. He files with the company a form completely renouncing his right to change the beneficiary. Subsequently he attempts to borrow on the security of the policy and finds that it is impossible. What is the nature of the beneficiary's interest which prevents the insured from dealing with his policy?

* * *

Answer—In general any beneficiary designated in a policy, whether as primary or contingent, acquires an immediate interest in the policy which cannot be changed or destroyed without the consent of the beneficiary unless the policy so provides.

Acquired Contingent Interest

In the case in question all future-born children of the insured acquired an immediate contingent interest in the policy even though they were not in being when they were designated as beneficiaries. As long as the insured reserved the right to change the beneficiary he was entitled to any of the options and privileges under his policy without the consent of any beneficiary. However, as soon as he renounced the right to change the beneficiary he became unable to decrease or change the interest of the beneficiaries without their consent.

OBSERVATIONS
in the Life Insurance Field

An interesting case comes up every once in a while where, for example, an agent writes an ordinary policy and on payment of the second premium a loan is given which practically means that little if any cash needs to be put up at that time. The loan is pyramided from year to year until about the sixth year when there is no longer any loan value that can be used in further payment of premiums. Then a new policy is written on the same terms. A five year term policy would have done the trick with little difference in cost between the two forms after the first year. The first premium on the ordinary life would be greater than that of the five year term. During the time the difference in cost, however, would not be very great between the two forms. This pyramiding of loans is popular with some companies that do not have a five year term plan or with agents who wish to present a temporary form of insurance and get as much commission as is possible. The question that arises in the minds of some agents is whether it is really twisting for an agent with a five year term policy to advise the policyholder in the sixth year, when his insurance will probably have to be rewritten, to take a five year term contract and thus have the privilege of converting it within the time without medical examination.

* * *

What should be the course a general agent should pursue these days with regard to policies where the equity is exhausted through loans and an adustment seems very desirable? An agent in touch with a case of this kind where there are a number of policies finds the assured is dissatisfied with the situation and is ready to drop his insurance. He is paying interest on loans and he does not have sufficient money to free his policies. The agent suggests that there should be a readjustment and new policies written without any lien upon them. The most ethical plan to pursue would be for the agent who is giving the advice to go to the other companies, either personally or through his general agent, tell them the situation and suggest that an effort be made to save the business. The other general agents, if renewals are still being paid to a sub-agent, would undoubtedly send the sub-agent to see whether he could handle the case. If he could rewrite the man, well and good. If not, then the original agent who gave the first advice might be allowed to try his hand, rewrite the business in the original companies. If such a plan were followed by all the agencies in a city, the rights of all would be preserved and no injustice done. General agents must recognize the fact that unless they are willing to study their own business and try to save it when a lapse is imminent, some outside agent will gather the fruit.

* * *

Some life insurance officials are very industrious, arriving at their offices early and making long days. For instance, Executive Vice-President Walter E. Webb of the National Life, U. S. A. of Chicago is at his desk regularly at 7:45 a. m. He boasts of the fact that he is the second man on the Northwestern suburban train that leaves his town, Glencoe, about 7 a. m. and gets to Chicago at 7:30 a. m. Furthermore Mr. Webb makes it known that he desires to walk from the Northwestern station to his office alone. It is during this pilgrimage, he declares, that he is able to concentrate on the problems before him during the day. It is 15 minutes that he has solely to himself, regardless of the hundreds of others on the street.

* * *

Rate book men are aware of the fact that it has become very difficult to get additional insurance where a man has $1,000,000 and wants more. A man who has less than $1,000,000 insurance and wants to carry an even million finds it difficult to get by. In fact, companies are shying decidedly at people carrying large amounts of insurance. The medical examination is far more rigid than it has been. The inspection is very exacting. Companies want to know why a person is carrying the large amount, what his prospects are, what he is doing and whether he is going to be able to carry it permanently. Some companies taking reinsurance have revised their treaties so that they cannot be automatically bound on any case above $1,000,000. After that point the reinsurance is on a facultative basis. The mortality experience on big policies continues to be disastrous.

A short time ago a leading financier of the east, who carried above $1,000,000, attempted to get more and he was not able to budge a single company.

* * *

It is reported that some of the smaller middle western life companies are likely to show an increase in mortality ratio this year. As a result of pressure from the agency department for the maintenance of volume, it is understood that they relaxed their underwriting requirements somewhat in certain cases and the result is already beginning to be felt.

* * *

The last ten years or so the drive in life insurance has been for larger policies. Agency executives have urged their salesmen to go after bigger policies and people who can buy larger amounts of insurance. The big buyer was the citadel for attack. The average life insurance policy increased. Many companies pay a higher commission on policies of larger amounts, say from $5,000 up, $7,500 up, $10,000 up. The writing of smaller policies was thus discouraged. The whole trend was toward writing larger amounts for the same man. This carried to completion led to some men carrying far larger amounts of insurance than could be justified. The mortality on the speculative type, undoubtedly those on whom pressure was used, has caused a reversal of this line of procedure. There is now far more talk about smaller policies and the need for a greater spread of insurance. Some agents find it impossible to get the very best men insured for the amount applied for. The companies that are following the formula agreed upon by a group of institutions as to the amount of insurance a man should carry in regard to his income stand steadfast as to any deviation from this course.

Ben Thorp, Dallas, Tex., state agent of the Colorado Life, reported about $1,000,000 in new business in Texas in July. He spent a good part of the month in organization work throughout the state, but he had time to employ in writing new business personally. He heads the list of his company for July. The second leading producer was W. L. Simms at Springfield, Mo.

Bankers' Demand for Loans Aired

(CONTINUED FROM PAGE 1)

upon it; that apparently in 80 percent or 90 percent of policies carrying maximum loans lapsation is inevitably indicated. They have urged that borrowing cash value in full is destroying the insurance, and that even borrowing only part of it is taking money away from the family, who may soon be in dire need and a charge on society. The life men emphasize that there is no such thing as complete indpendence in modern society, and the banks must play their part in maintaining the safety of the home and economic structure, or the "vicious circle" will occur and the banks in turn will suffer.

Little Hope on Loans

So far as policy loans are concerned, the life company executive cited above sees little hope save in rewriting most of the heavily loaned policies. A year or so ago the situation was not so bad, but now he sees most loans as distress loans, made to obtain funds on which to live. If his surmise is correct, there is little hope that any but a small percentage of these loans will be paid off or reduced; nor is there much hope that renewal premiums on this business will be paid.

Virtually the only solution lies with the agents in rewriting all cases possible, eliminating reduced amounts of insurance and loan interest. Most of these borrowers simply cannot scrape together the money to pay both premium and loan interest.

Conservation Difficult

Conservation departments are putting in extra hours and trying every method and argument which promises any degree of success. Yet it is not a propitious time for letter-writing, and that is about the only tool available to the conservation men except personal labors of agents. Most agents are far more concerned about new business than in saving old business on which only small commission is paid.

The life executive mentioned above makes pointed comment on the investment situation, which does not give any particular hope for an easing of the so-caled depression for some months to come. The figures are those of the Association of Life Insurance Presidents.

"In 1930," he said, "the income of these companies which went into bonds and mortgages was $737,000,000, or an average of $61,000,000 a month. This went into productive enterprises. In January, 1932, there was put in mortgages and bonds only $12,000,000, and there was a total reversal of $49,000,000. Obviously this trend has had a substantial effect upon the market. A very large class of buyers of these investments for the time being was withdrawn." He explained that by "reversal" he meant net difference in trend.

Short-Term Federal Paper

He said his company is investing almost entirely in short-term federal obligations, upon some of which as little as 1 percent is being realized. He considers safety paramount. The short term paper—treasurer's certificates, etc.—bought at a discount, but non-interest-bearing, permits of amounts regularly falling due, so that superior investments may be grabbed up when the occasion presents itself.

Another older company is investing largely in policy loans, one of its officials comments wryly. The older companies have been in less favorable position as regards surplus cash for investments due mainly to the greater amount and percentage of policy loans in proportion to income.

Can't Reduce Expenses

Superintendent Van Schaick of New York in a report to the governor contends that a reduction in the cost of operating his department cannot be made safely. The economic situation, he said, has brought about potential dangers in financial institutions and any let down in efficiency of supervision would be unwise and perhaps disastrous.

The increase in cost of the department, according to Mr. Van Schaick, has not been proportionate to the increase in business of the companies under supervision. When the depression is over, he said, some of the extra work will probably not be needed and then departmental costs may be cut, unless the business of the companies has so increased that an equivalent amount of additional work is necessary.

Appropriations of the New York department for 1932 were $929,964, as contrasted with $572,420 in 1922. The net cost to the state was $528,614, in 1932 as against $389,726, the amounts received from companies for examinations making the difference between the gross and the net.

"Life Insurance" by Associate Actuary J. B. MacLean of the Mutual Life of New York in its third edition is a revised work because of radical changes in the insurance situation with regard to a number of subjects. This is a most valuable book containing 20 chapters devoted to practical information of life insurance in its various phases. Price $4, sold by The National Underwriter.

Disability Helping in Lapse Problem

(CONTINUED FROM PAGE 5)

It is important to remember in connection with lapses that the situation is aggravated by tightening of selection standards. For this reason, 1932 reinstatement standards are 1932 selection rules and not those in existence when the lapsed policies were bought.

Very properly, the chief reason for refusing to reinstate lapsed insurance now is non-physical; the proportion of the policyholder's income to his living standard. The depression has increased financial hazards more than medical ones. Life companies of course believe that the depression will not continue indefinitely, and that the scale of individual incomes again will rise. Nevertheless, in considering applications for reinstatement, they cannot give much weight to the probability of an upward curve of income.

Really a New Contract

When a policyholder lapses his contract, in fact he voids it. There no longer is a policy in force. For this reason the act of reinstating really is the act of executing a new agreement, with a new offer and a new acceptance of the insurance. That is why companies cannot base their decisions on past or possible future standards. They must underwrite reinstatements this year on the same selection standard that they apply to new business.

There is no doubt but that a considerable amount of disability attached to life policies is being rejected when application for reinstatement is made. This is because the company's standards are much more rigid respecting earned income necessary for disability income of a certain amount.

Small Policies Ignored

This does not apply much to the small policies. Companies are practically uniform in ignoring the question in connection with $1,000, $2,000 or $3,000 contracts. But there is no doubt that almost every company in the business which has disability insurance in force is examining very closely every reinstatement application involving disability income around $100 a month. In many cases it is found the policyholder's income has shrunk to a point which would not justify so large a clause and in such cases rejection is ordered.

The usual practice when a reinstatement application is received is to check company records. Then the policy is examined to note the individual situation. In fact, each reinstatement is handled individually and the rules of any one company are not inflexible.

Extended Insurance Factor

If a policy has gone on automatic extended insurance, for five years, for instance, the company officials usually consider that the risk will be on the books for five years anyway and they might as well get the premium for it. But if the policyholder has borrowed much of the cash value, thus reducing the extended insurance period considerably, it quite often is considered poor business to reinstate. As a rule in such cases rewriting of the contract is urged, thus canceling the loan and interest and starting with a fresh contract which is worth par.

If the policyholder is past middle age, usually a new medical examination is called for as the companies have been hit rather hard by high blood pressure and heart ailments, as well as other degenerative diseases which begin to show up in later life.

Term to Cover Loans

A number of companies are urging upon policyholders with large loans that they take yearly renewable term insurance to cover the cash taken out on the policy. This is good business, but many policyholders claim that the original premium on the policy, the loan interest and the premium on the term insurance constitute too much of a burden. As a rule, such business is being rewritten and this is considered wise even though the rate paid is at the attained age.

The automatic premium loan employed by a number of companies is understood now to be in disfavor due to misunderstandings which arise between company and policyholder, and also to the fact that this so-called "privilege," in the past considered a very real benefit for the policyholder, is aggravating the lapse situation somewhat.

It is reported that some companies offering this arrangement, seriously are considering doing away with it.

Fine Protection Theoretically

In theory the provision constitutes a very fine protection for policyholders, since so long as there is sufficient loan value in a policy, there is no chance for it to lapse because of forgetfulness of policyholder. Agents, too, favor the clause, for it saves them many service calls in preparing loan papers.

However, from one aspect it is considered by many life insurance men to be dangerous, in that a policy loan may be increased to maximum, with almost inevitable lapsation. In fact many policyholders probably permit the clause to function when they could just as well pay the cash. Others who do not understand its operation or are unaware of its existence, sometimes misunderstand when they find unsuspected loans against their policies.

Many More Inspections Made

Since the chief consideration on reinstatement applications is the policyholder's earned income, it may be presumed that many more inspections are being made now than in the past, and this is the case. Inspections are rarely made, however, on the smaller policies of $2,500 or under.

A very large proportion of applications for reinstatement is being approved by most companies despite the more rigid selection. In fact, one middle western company reports it is approving very close to 98 percent of all these applications. Nevertheless, so far as the individual is concerned and regardless of his physical condition, he may be very easily rejected, and agents have a powerful argument in the present situation to use in urging the policyholders not to permit their contracts to lapse unless it is utterly impossible to raise the money.

Baltimore—The annual meeting of the Baltimore Life Underwriters Association will be held Sept. 8. The following nominations have been submitted: President, Perrin H. Lowery; vice-president, Russell L. Law; secretary-treasurer, G. S. Robertson; directors, E. L. Anderson, B. C. Thurman, C. Demarest, Jr., F. L. Wells, H. J. Kirks and W. V. Woody.

Agents' Financing Is Nearly Ended

(CONTINUED FROM PAGE 1)

and if the note signers ever get back on their feet financially, some of the notes even may be collectible. But a vast majority of general agents trusted to renewals to cover any advances—and that is a theory about which any number of general agents can give some valuable observations.

Occupied Sumptuous Quarters

With business literally coming in by the millions, many agencies in the prosperity era expanded into handsome suites of offices. This trend perhaps reached its zenith in the case of a Chicago man who for a time occupied nearly an entire floor of a large building, and whose private office, richly paneled and adorned with stained glass windows, *objets d'art* and sumptuous furnishings, is said to have cost about $35,000.

Decapitalization appears to be the order of the day in general business, and it already has extended to general agencies and branches. The comparatively narrow margin of the general agent would not support so topheavy a superstructure of high overhead and lavish advances. Many general agents are now discovering that even in the prosperity period their incomes were not meeting their outgo. The sad feature is that this has not been generally realized until now, when the general agents are charging off to experience the large sums in uncollectible notes and advances which represent the profit which they thought they were making.

Companies Finance Little

So far as financial aid from companies is concerned, it is very nearly nil. There was a time when companies were willing, and even eager in the case of outstanding general agents and managers, to lend strong financial support. But the lesson of over-emphasis of manpower and mere volume of business has been taken to heart. Companies now quite frequently expect an appointee starting from scratch to bear all expenses. When they do any financing it is on a very conservative basis.

General agents are coming to realize that in forcing a return to normalcy in agency costs, the depression has been a blessing in disguise. Conditions had come to the pass where some supposedly successful general agents seriously were considering giving up their agencies and going back into personal production, where everything they made would be their own. Others were casting envious eyes at branch managers, with their assured incomes.

For some years there has been complaint among general agents at the small amount of return to them for the great responsibilities of their posts and the large amount of money invested in their businesses. They realized that there was sufficient margin for them to make adequate income if expensive agency practices could be modified.

They realized, too, that they were responsible for these lavish competitive methods, yet competition held them fast to the system which had sprung up. An impasse had been reached in which none would make a move until someone else did. The depression cut to the heart of this situation, taking matters out of their hands, and now is forcing general agents and managers to be better business men.

Dr. C. J. Rockwell Changes His Basis of Operation

(CONTINUED FROM PAGE 2)

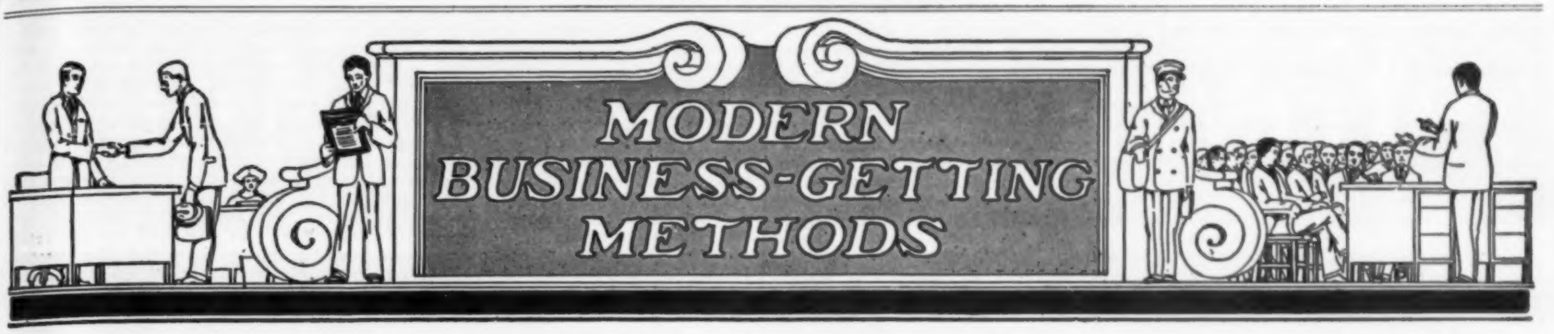
with elementary knowledge, personally secured—they want the application of that knowledge to underwriting situations. They are conscious of inadequate equipment and unorganized information. And many of them will, for these reasons alone, seek more directed or standardized callings. Of these men many were promising enough to be retained. The coming year will put managerial capacity to a severe test—and no man, unaided, can meet all demands that confront him. Twenty years of training men, and studying and observing training processes, convince me that, in my more intimate relationship with agencies and companies, I can do a most timely service to life insurance practice."

Dr. Rockwell has been residing at the Georgian Hotel, Evanston, Ill. He has now moved to the Belvedere apartments on Reading Road, Cincinnati.

Reserve Becomes Part of Company's General Fund

Question—We have had considerable discussion in this community among the life agents as regards the legal reserve. Is the legal reserve a fund set apart specifically for the benefit of the policyholders? Does it belong to them in spite of everything that is done or in case of a receivership does the reserve become part of the general assets?

Answer—As to reserves on life insurance policies, they are not for the exclusive benefit of policyholders. Suppose, for instance, a legal reserve company went into the hands of a receiver. Then all the funds of the company, reserves and anything else, are thrown together in a common fund. There are certain preferred creditors, such as those who are beneficiaries of death claims, that had been incurred. After that all claimants come in on an equal basis. The policyholders have no special claim on the reserves. In case premiums are paid after the receiver has been appointed, these are kept in a separate account for the benefit of those that paid them.



Selected Answers to C.L.U. Test Questions Give Composite View of Many Life Underwriting Topics

Herewith is presented the second installment of selected answers to the 1932 C. L. U. quiz, prepared by the faculty of the American College of Life Underwriters.

(a) ECONOMICS OF LIFE INSURANCE

Question 3. "A" and "B" are partners, each to the extent of a one-half interest. With respect to both, the partnership interest constitutes the major part of the general estate. Each partner is insured to the extent of the appraised value of his partnership interest, making the proceeds payable to the surviving partner for the specific purpose of purchasing the deceased's interest.

(a) Explain the advantages of this plan to "A's" heirs in case he should be the first to die.

(b) Explain the advantage of this plan to "A" in case he should outlive "B."

Answer (a.) If "A" should be the first to die the life insurance plan would benefit his heirs as follows: 1. Upon the death of a partner in a partnership enterprise, legally the business is terminated and the surviving partner is a trustee in liquidation. "A" might die when the assets of the firm were reduced in value and forced liquidation would result in still further loss. With life insurance his heirs would receive the full value of his interest in the business as a going concern. 2. Immediate cash would be on hand to pay them their share of the partnership. 3. They would then have cash to settle all existing debts and last illness expenses. 4. They would not have to join the partnership which may not prove profitable since "A" has died, and which might also result in friction with "B."

(b.) If "A" should outlive "B" the life insurance plan would benefit him in that: 1. He is enabled to buy the share of "B" from "B's" heirs and continue the business without interruption as a sole proprietorship or with another partner. In either case the result is a more healthy outlook for the business. 2. He can avoid carrying an inactive interest in the business which shares the profits but contributes nothing. 3. He can avoid the loss resulting from liquidation of the business (assuming that proper agreements have been entered into) and also the loss of the good-will established from past efforts. 4. He can preserve the credit rating of the business, built up over a period of time, and possibly establish additional and better credit. 5. He can preserve good feeling with "B's" heirs as they have received "B's" share in full.

Term Insurance—Investment Plan Comparison Asked

Question 4. "A" believes in investment on a sound installment plan, but prefers a combination of municipal bonds and the purchase of decreasing renewable term insurance with some insurance company. He argues that under such a combination such bonds would give a better rate of investment return than is obtainable through life insurance, that such bonds are free from federal taxation, and that they also give the opportunity of gain through appreciation. Compare fully life insurance as an investment with the plan which "A" is proposing, on the basis of his arguments.

Answer: A life insurance policy on the whole life or endowment plan is a combination of decreasing term insurance and an increasing investment account. In this respect it resembles the plan which "A" proposes. On each of the points which "A" mentions, as well as others, it is superior to "A's" plan.

* * *

The life insurance investment account gives title to a diversified list of bonds and mortgages that are superior to any "A" may buy directly. His privately invested funds would not buy more than a dozen different municipal bonds, while his investment account in the life insurance contract gives him an interest in all of the numerous securities of the life insurance company. Diversification of this sort gives his investment in life insurance a much greater degree of safety.

The yield of an investment depends largely upon its safety, but with its greater safety the life insurance investment account offers a relatively large yield. After deducting the cost of the term insurance element of the policy the return on the investment element will be in excess of 5 percent compound interest. This is better than the return which can be realized on municipal bonds over a period of years considering both losses of principal and the reduction in the compound return resulting from inability to reinvest interest payments promptly.

Life Insurance Advantages Heavily Outweigh Scheme

Life insurance is equally as free from federal income tax as are the municipal bonds which "A" is considering. While a life insurance company itself is subject to taxation it can still allow the insured to realize net over 5 percent on his investment. In the event of the insured's death the proceeds of life insurance are completely free from income taxation, but when policies mature while living the insured may have to pay an income tax only on the excess received over the total amount deposited.

It is with respect to the federal estate tax, however, that life insurance has a decided advantage over "A's" plan. In the event of "A's" death his bonds would be subject to the federal estate tax in any amount over $100,000 (reduced to $50,000 by recent legislation), while his insurance payable to a named beneficiary would be exempt for an additional $40,000, allowing a total exemption of $140,000 ($90,000 as amended) if there is no other estate.

* * *

There might be some chance for appreciation of "A's" municipal bonds, but where there is the chance of gain through appreciation there is also the chance of loss through depreciation. Many bonds that were considered gilt-edge a few years ago are in default at the present time. Many are quoted at prices from 25 percent to 50 percent of their original value. If "A" should lose on only one of his bonds his loss would affect any appreciation on the others. There is no chance of unusual appreciation above regular interest appreciation on his life insurance investment account but the record of life insurance shows that there is also no chance of loss.

Question of Conservation Presented for Argument

Question 5. An insurance executive expresses the opinion that life insurance companies should not undertake the promotion of life conservation on the grounds: (a) That life conservation is hardly a service which, from a sound insurance standpoint, could reasonably be expected of a life insurance company. (b) That such a program, if undertaken in a substantial way, does not pay financially. Present your opinion, and the reasons for the same, with respect to each of the aforementioned viewpoints.

Answer (a.) I am convinced that life conservation is a service which from a sound insurance standpoint, can and should be expected from a life insurance company.

Conservation of values and elimination of risk is real insurance in the first instance. Property insurance companies have learned that loss prevention is as important as indemnification. Today they devote a large amount of money to loss prevention through education, legislation, and campaigns, making it financially worthwhile to insureds by reducing rates where certain precautionary measures have been taken.

* * *

Life insurance today is almost generally on the mutual plan and it is inherently a social institution. The value of prolonging human life is of tremendous benefit to society and the individual families that compose it. It has been estimated by the Life Extension Institute that 50 percent of the deaths each year between ages 30 and 60 could have been avoided and the lives prolonged many years. Just think of the productive value of those working lives to society. When we realize that life insurance is a social institution we can appreciate the fact that life insurance companies owe the service of life conservation to society.

Students Consider Field to Be Highly Profitable

(b.) I cannot agree that life conservation does not pay. One large life insurance company has found that every dollar they have spent toward life conservation work has returned them two dollars in mortality savings.

The effect of prolonging human lives is to secure premiums for many more years. This, with the accompanying interest earning on the funds already deposited, increases the surplus of the companies from savings in mortality and is an important source of surplus. In a mutual company this surplus belongs to the policyholders and part of it at least is returned to them in dividends. We thus see two distinct benefits to society, first, in prolonging of life with all its accompanying benefits, and, second, in a lower cost for insurance.

I might mention further that our need of today seems to be a greater cooperation between companies in life conservation work and this would, in itself, result in less cost to each individual company. For instance, a policyholder with insurance in a number of companies could secure an examination, the expense of which could be shared by all the companies in proportion to his coverage in each company.

(b) PRINCIPLES AND PRACTICES

Question 1. At age 35 "A" bought a $10,000 ordinary life policy at an annual premium of $197.10. At age 45 "A" decides to pay off a 6 percent personal loan of $1,290 by exercising his right to a policy loan for that amount (the full loan value at the time) at 6 percent. But he is advised that he should, instead, avoid the 6 percent policy loan obligation and claim the $1,290 of surrender value, and use the same for the retirement of the personal loan. At the same time, since "A" can pass the required medical examination, he is also advised to take a new ordinary life policy in the same company for $8,710 costing an annual premium at age 45 of $246.93, and thus save $27.57 in his annual outlay. Assuming that "A" is determined to retire the personal loan through the medium of his life insurance, which of the two aforementioned methods would you advise, and why?

Answer: I would suggest the first—that he exercise his right to a loan.

1. He cannot take out new insurance without assuming an acquisition cost and this must come out of his pocket.

2. His new contract, if he took a new insurance policy, would not increase in cash value annually, per dollar of premium paid, as rapidly nor in proportion to that of the old contract. The more rapid increase in cash value of his old policy probably would more than counterbalance the saving of $27.57 in annual outlay. If his insurance is on a participating basis the larger dividends on the policy issued at age 35 would also counterbalance this superficial saving.

* * *

3. His old contract is incontestable—his new one would probably be contestable for a certain period and would contain a suicide clause. The value of his old contract, as compared with a new contract from this viewpoint, would be demonstrated should he die in the near future under suspicious circumstances. Some companies, however, allow the substitution of a new contract for the reduced amount incontestable from date of issue of the original and free from suicide and other restrictions.

Reserve Fund Dissipation Seen as One Great Evil

4. He would be dissipating a reserve fund (emergency fund) which he probably would not replace unless he felt an obligation such as would exist in the case of a loan on his life insurance. He could recreate his emergency or old age fund, temporarily removed from his old contract, as his means might permit, by repayment of the loan. In this way he would be reinstating the safest installment investment he probably possesses, securing all of the benefits of the additional investment in life insurance, such as freedom from creditors, freedom from taxation, marketability, reasonable interest return, etc.

* * *

Question 2. "A" is a young doctor with good prospects but still struggling to establish himself more adequately in his profession. He has a wife and child

and is earning $2,500 a year. He believes that he should for some time continue to spend a reasonable amount for self-improvement, and ought also at once acquire a home on some installment mortgage plan. Although believing in life insurance, he feels that his present course justifies postponement of a substantial life insurance program until he has met his two primary needs, namely reasonable professional success and payment for his home. What life insurance program would you present to this man, and what arguments would you use to convince him of the soundness of your advice?

Answer 2. I would not agree with the doctor that the purchase of a home is a primary need in view of the fact that his income is so limited and that self-improvement is important. The purchase of a home at this time would incur the necessity of a mortgage, and since his lease on life may soon terminate there would be a need for the additional insurance protection to cover the mortgage, which he can ill afford.

Reasonable Program Is Urged for Small Earner

It is safe to assume that his family is costing him approximately $1,500 a year to maintain and that the most he could possibly save from his present income (after considering his personal expenses) would be about $500. Part of this of course, would be required to meet the expenses involved in this program of self-improvement. I would suggest a program calling for an adequate amount of insurance to replace the economic loss to his family, since his entire value to them is tied up in his life.

I would suggest as much whole life insurance as it would be possible for him to pay for, but if this should fall short of $25,000, as it probably would, I would make up the difference with five-year convertible term insurance and arrange a plan for converting it and the whole life insurance into endowment insurance maturing at age 60 or 65 when his income increases. At this time, too, it would be desirable for the doctor to add to his insurance estate and investment program in order to capitalize the increased value of his life.

* * *

I would stress the fact that his income, assuming survival, will continue to grow, but if he should become incapacitated, his income would cease. Disabiltiy features in the life insurance contracts would take care of this emergency and if he died his wife and child would have an income for life through income settlement of the proceeds, sufficient to continue the standard of living they were accustomed to. With such a program, if he survived, he would be building a reserve in the life insurance for his own use at some future time, his mind would be relieved of worry about his family and he could devote himself better to self-development and a more lucrative practice.

Permanent Family Protection Declared First Requisite

When his practice becomes large enough to add the burden of the purchase of a home, I would heartily recommend it and would then suggest additional insurance to cover any mortgage. But this should not take precedence over the conversion of any term insurance to whole life or endowment at 65, nor over the addition of adequate insurance for family protection. I would try to show him the folly of assuming obligations that in the event of an early death, would fall upon his wife, without providing the necessary money for her to take care of such obligations, as well as those clean-up bills that would be due at his death. The doctor, as a professional man, must insure his earning power and economic value to a greater degree than most other men because his survival and good health are so necessary if he is to be of any value to his family and society.

* * *

Question 3. (a) From the standpoint of sound economics, should the hazard of total and permanent disability be assumed by life insurance companies? Give your reasons fully. (b) From the standpoint of the greatest good to the insured and his family, what should total and permanent disability protection provide when offered in conjunction with life insurance? Enumerate the provisions and give your reasons for each.

Answer (a.) I believe that the hazard of total and permanent disability should be assumed by life insurance companies.

Life insurance is designed to replace the economic loss occasioned by premature death. There is no thought that the personal loss to the wife or children of a dead man can be replaced. It is the loss of his earning power only that is made good.

Economically a man who is totally disabled is as dead as one who has been buried, with the additional expense of his maintenance to be met. If life insurance is really to take the "if" out of life, this disability hazard should be assumed. This holds good also in the case of a man insured in favor of a business or a man who is using life insurance as a method of building up a reserve for retirement.

Separate A. & H. Contract Declared Not So Good

This protection cannot be had as well by using a separate contract with companies doing a health and accident business since: (a) Most of their contracts are cancellable. (b) The non-cancellable contracts usually cover more than the major hazard of permanent and total disability and consequently are more expensive and selection standards have been more strict. (c) The necessity of selling two contracts instead of one will cause the purchaser in many cases to neglect this very important form of protection.

(b.) The provisions should include:

1. The waiving by the company of all premiums during the period of disability, so that the man's plan, be it family protection or retirement, will not be interrupted.

2. The payment by the company of a small monthly annuity so as to furnish a means of subsistence during the period of disability.

3. A fair and liberal definition of disability, to include loss of sight or limbs, covering if disability occurs before age 60 or 65, and providing for a reasonable period to be established as the limit of "permanence." I believe that the six months period used by many companies now is too long—that three or four months is a better test, for very few people have sufficient means to live for six months without income and with the necessity for meeting extra medical expenses and the absolute necessity of maintaining the insured's life insurance contracts.

From the companies' point of view, I believe they could be adequately safeguarded against fraudulent claims by reserving the right to examine the insured at frequent intervals, and if necessary by increasing rates.

* * *

Question 4. (a) Enumerate the important types of circumstances (giving briefly your reason or reasons in each instance) under which you would advise the payment of life insurance proceeds in a lump sum. (b) Enumerate the important types of circumstances (giving briefly your reason or reasons in each instance) under which you would advise the payment of life insurance proceeds in installments.

Answer (a.) The circumstances under which I would advise the payments of life insurance proceeds in a lump sum are as follows:

1. To pay off a mortgage or bond issue.

2. To pay last illness and funeral expenses, administration and legal expense, debts, post-mortem taxes, etc.

3. Where the proceeds from the insurance are to be managed by a trust company.

4. Business insurance, where proceeds of policy are to be used to purchase the interest in the business of the deceased, or to replace the loss of a valuable employee.

5. Where policy is assigned to a creditor for an indebtedness. Proceeds would pay off the debt immediately.

6. Where the amount of the insurance is so small that the return from it on an installment basis would be of practically no value to the heirs; for example, industrial insurance.

7. Bequests where the insured wants to leave a lump sum to charity to create an endowment fund or to assist the charity in paying off debts or building a new structure.

Cases Cited Suitable for Payment in Installments

(b) The circumstances under which I would advise the payment of life insurance proceeds in installments are as follows:

1. Life insurance for wife and minor children should be paid in installments monthly so as to guarantee that they can not lose or dissipate their inheritance and that they will have an income monthly just as they had been receiving it during the insured's life time.

2. Educational policies for children's education should provide for a definite monthly income for a definite period while they are attending college instead of a lump sum which they might dissipate or lose before their education is completed.

3. Retirement income policies for the insured himself should provide payment on the monthly basis for life and not a lump sum so that the insured himself cannot lose his savings after he has reached the age where he might have lost some of his good business judgment.

4. Sentimental policies to provide a definite sum each year on Christmas, birthdays, anniversaries, etc., should of course be on the installment plan.

5. If a policy is large enough to provide a living income for a few years on the installment plan, it would be better to so arrange it rather than to give the family several thousand dollars cash which would probably be spent foolishly in a very short time.

Question 5. (a) The suggestion has been made that life insurance companies should increase their "surrender charges" substantially. 1. Define "surrender charge." 2. Do you feel that an increase in surrender charges is justified? Give your reasons.

(b) From the following data show how you would calculate the net single premium of an immediate life annuity, at age 75, of $1,000 per year. (In view of the limited time available, it is not desired that you make your multiplications, additions, and divisions. Merely indicate all answers by letters beginning with "A" and then follow continuously with "B," "C," etc. In your explanation show the method of computation for only the first three years and the last three years. The problem aims to ascertain the correctness of procedure and not actual results.)

Section of American Experience Table of Mortality

Age	No. Living at Beginning of Year	No. Dying During Year	Present Values of $1 at 3 percent Due as follows:	
75	26,237	2,476	1 yr.	.970874
76	23,761	2,431	2 yrs.	.942596
77	21,330	2,369	3 yrs.	.915142
78	18,961	2,291	4 yrs.	.888487
79	16,670	2,196	5 yrs.	.862609
80	14,474	2,091	6 yrs.	.837484
81	12,383	1,964	7 yrs.	.813092
82	10,419	1,816	8 yrs.	.789409
83	8,603	1,648	9 yrs.	.766417
84	6,955	1,470	10 yrs.	.744094
85	5,485	1,292	11 yrs.	.722421
86	4,193	1,114	12 yrs.	.701380
87	3,097	933	13 yrs.	.680951
88	2,146	744	14 yrs.	.661118
89	1,402	555	15 yrs.	.641862
90	847	385	16 yrs.	.623167
91	462	246	17 yrs.	.605016
92	216	137	18 yrs.	.587395
93	79	58	19 yrs.	.570286
94	21	18	20 yrs.	.553676
95	3	3	21 yrs.	.537549

NOTE: The above table and interest rate are used because of the student's familiarity therewith, although it should be stated that annuities are usually based upon a different table and interest rate.

Answer 5. (a) When a policy is lapsed or surrendered during the early years of its existence, a definite loss is sustained by the company. This is due to the fact that the loading is insufficient to cover the cost of acquisition, for if it were, it would be too large in subsequent years. Therefore the companies are permitted by law to retain a portion of the reserve when the policy is surrendered in its early years. The difference between the amount of the cash value which will be paid and the full reserve on the policy is called the surrender charge. It may be an arbitrary amount or a percentage. In some companies it is only collected during the first three, four or five years, gradually diminishing. In others it is graduated down as far as the first ten years. Within the limits permitted by law, it is merely a matter of company practice.

Opposed to Increasing Surrender Charge Now

2. I do not feel that an increase in surrender charge is justified at this time. One of the reasons for the widespread popularity of life insurance at the present time is its advisability in emergencies. It is patent that the surrender charges cannot be increased without diminishing the loan values on the policy.

An adequate charge should be made, and to my mind is being made at this time. We hear no outcry from the companies such as we hear on the unfavorable expense of some companies with regard to disability, etc.

Such a step might have the effect of causing old policies to lapse rather than new ones under which the new surrender charge would appreciably cut down the cash value. This might be beneficial to the companies, but could only result in harm to the insuring public.

There may be a temporary condition due to the so-called depression, but before the effects of a higher surrender charge could be felt on issued business (for at least two years must elapse before new policies will have cash values) conditions, we hope, will have changed.

If some years hence it is clear that the present surrender charges are not adequate then will be the time to discuss it and remedy the situation. A change now would only create ill will and resentment in the minds of the public. Surely there are more effective means of discouraging surrender, and those are timely now, when so many policies have been loaned up to the hilt with the tendency to lapse them and replace them with new insurance. A campaign of education along these lines will prove more beneficial to all concerned than an increase in surrender charges at this time.

* * *

(b) An immediate life annuity is not an annuity due. Hence, the first payment would be at age 76, or one year from date. It is necessary to calculate the present values of all payments, discounting them both as to interest and probability. The computation follows:

Age	No. Living	$1 Discounted	Amount	Prod.
76	23,761 ×	.970874 ×	$1,000 =	A
77	21,330 ×	.942596 ×	1,000 =	B
78	18,961 ×	.915142 ×	1,000 =	C
—	—	—	—	—
—	—	—	—	—
93	79 ×	.587395 ×	$1,000 =	R
94	21 ×	.570286 ×	1,000 =	S
95	3 ×	.553676 ×	1,000 =	T
				A+B+....T

Now A + B etc. is the sum necessary at age 75 to pay all of the annuity claims of 26,237 persons now age 75. To find the net single premium for each annuitant, it is necessary to divide the sum of the present values (A + B + ... T) by 26,237.

$$\text{Hence, the N. S. P.} = \frac{A + B + \ldots T}{26{,}237}$$

It would be possible to use the probability $\frac{23{,}761}{26{,}237}$, $\frac{21{,}330}{26{,}237}$, etc. at each age but the computation would be much more laborious, since 26,237 would have to be divided into each of the figures from A to T separately.

(Additional answers to C. L. U. questions will be published next week.)